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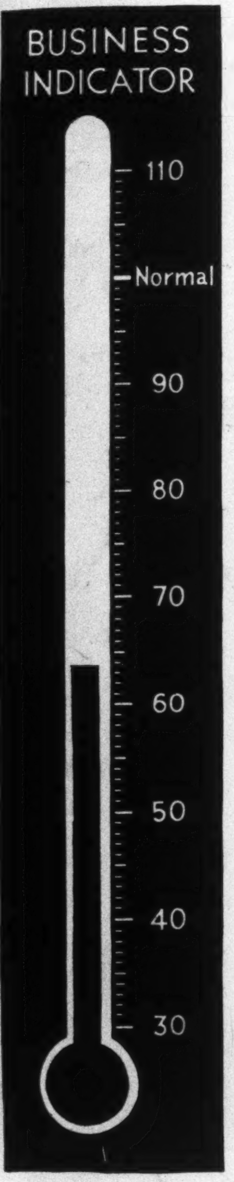
THE BUSINESS WEEK



The year has started with considerably more snap than was expected, though less than in '30 and '31 . . . . The first full week's records do not indicate any definite turn in industrial and business activity, but they show some response to seasonal stimulus in steel and the cotton trade, and at least resistance to further recession in almost all lines . . . . Commodity prices continue encouragingly steady. Active interest in the auto show has aroused more optimistic estimates of spring output . . . . Power production, carloadings, construction projects are still slack . . . . The first half of January has been distinguished chiefly by pronounced improvement in securities markets, principally in rails and especially in bond prices. Some of this is usual at the season, but most of it is undoubtedly due to improvement in railroad prospects, high hopes of early relief from banking strain through the Reconstruction Finance Corporation, and recent expectations of rigorous reversal of passive Federal Reserve policy in face of destructive deflation . . . . Moves toward easier money rates in the New York market have stimulated speculation on the possibility that the Reserve banks will embark on aggressive open-market operations to force member bank credit expansion and facilitate federal financing. This is important if true, but it is too early to tell whether it is, and whether it will be effective . . . . Political and popular pressure toward expansion is powerful and may prove irresistible; but the response of banking authorities to the inevitable has been so belated and the credit mechanism so crippled by lack of confidence that some form of more direct inflation may be forced upon us if the commercial banks cannot or do not cooperate in carrying out Reserve policy.

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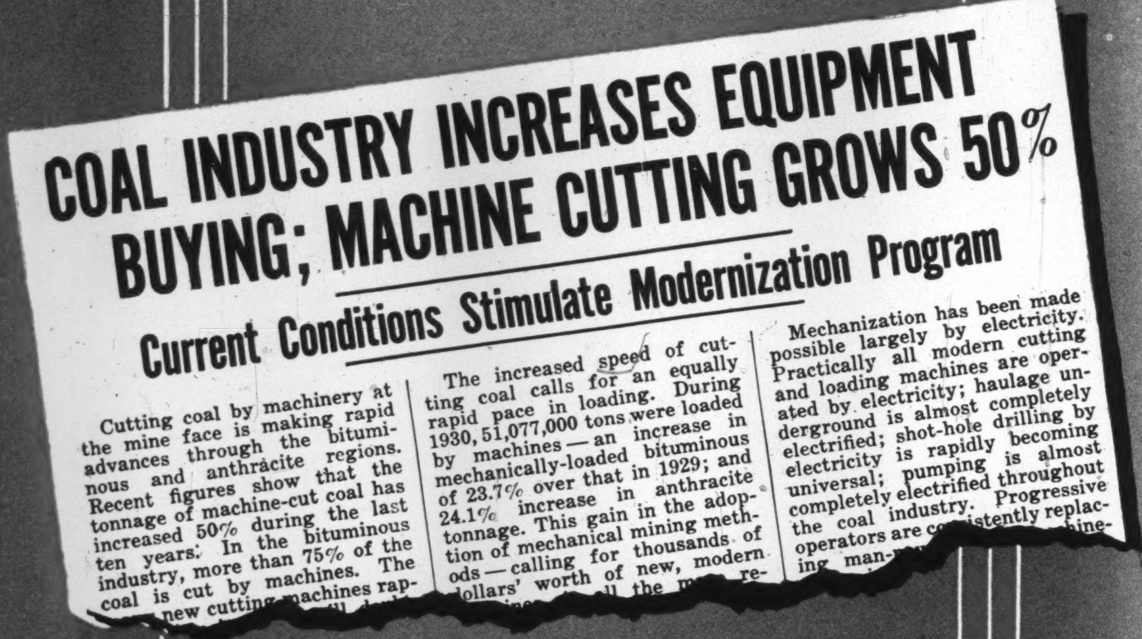

COAL INDUSTRY INCREASES EQUIPMENT BUYING; MACHINE CUTTING GROWS 50%

Current Conditions Stimulate Modernization Program

Cutting coal by machinery at the mine face is making rapid advances through the bituminous and anthracite regions. Recent figures show that the tonnage of machine-cut coal has increased 50% during the last ten years. In the bituminous industry, more than 75% of the coal is cut by machines. The new cutting machines rap-

The increased speed of cutting coal calls for an equally rapid pace in loading. During 1930, 51,077,000 tons were loaded by machines — an increase in mechanically-loaded bituminous of 23.7% over that in 1929; and 24.1% increase in anthracite tonnage. This gain in the adoption of mechanical mining methods — calling for thousands of dollars' worth of new, modern

Mechanization has been made possible largely by electricity. Practically all modern cutting and loading machines are operated by electricity; haulage underground is almost completely electrified; shot-hole drilling by electricity is rapidly becoming universal; pumping is almost completely electrified throughout the coal industry. Progressive operators are co istently replac- ing man-

Shift from man-power to machine-power creates big buying market

Last year's forward strides in the modernization program throughout the bituminous and anthracite regions—despite general economic conditions—point to a big buying market *now* and during the coming months.

Everywhere the shift from man-power to machine-power is going forward uninterruptedly. Tonnage per man has gained 24% in ten years.

Coal Age, for years a champion of mechanized mining and coal preparation, is today pushing forward the industry's program with "profit engineering" as the keynote.

The men responsible for this program, who wield the buying power of the industry, use the advertising pages of this publication as their buying guide. This is the place to put the story of your products — to tell the industry how your equipment will lower operating costs and build net profits.

For the detailed facts about the advancing mechanization program and the market for your products, write the *Coal Age* Market Research Department. No obligation.

DO YOU SELL—

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Motor control equipment?
Fans and blowers?
Pumps and piping?

If so, the modernization program of the coal industry is creating new sales opportunities for your equipment. Ask *Coal Age* for facts. No obligation.

COAL AGE

330 West 42d Street, New York

THE BUSINESS WEEK (with which is combined The Magazine of Business) January 20, 1932. No. 124. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42d Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N.Y., under the act of March 3, 1879. Printed in U.S.A. Copyright 1931 by McGraw-Hill Publishing Company, Inc.

This Business Week:

Washington

Certain money market maneuvers, various public utterances, and the logic of the political and financial situation convince Wall St. that the Federal Reserve, after 26 months of deflation, is launched on a credit expansion policy. *(p. 5)* There are skeptics, of course, but *The Business Week* believes the Board will rise to the emergency—and its opportunity. *(p. 36)*

With the government being urged to "charge it," it is well to remember that even federal credit is not inexhaustible, that new issues depreciate existent issues and starve business of needed funds. *(p. 6)*

Automobiles

Motor manufacturers refuse to sit tight, pinch pennies, and pray; they are betting spectacular new models against the old cars that, in better times, would have been turned in long ago. *(p. 7)*

These aging cars, by the way, are responsible for an increase in insurance rates. *(p. 13)* Their existence is readily proved by last year's production (and sales) which dropped off 30%. *(p. 7)*

Marketing

To maintain mass marketing, some automatic refrigerator dealers are selling terms rather than ice cubes. Many frown on this as draining the potential market for a mere two-bits a day. *(p. 8)*

The chemical industry, one of the last to swing attention from production to distribution, now looks to improved marketing to offset excess capacity. *(p. 9)*

Rug and carpet makers, too, are revamping their selling in line with what the public wants. *(p. 9)* Department stores moved more merchandise last year, although dollar volume declined. *(p. 11)*

Railroads

Some railroad buying power has been destroyed, but most of it is just deferred. The needs of replacement, of inevitable expansion—like money at interest—are compounded by delay; once on the upgrade, they will accelerate all business. *(p. 12)*

A few roads, due to special reasons, enjoyed greater revenues in 1931 than in 1930. *(p. 12)* That "fundamental change" in rate-making, urged on Congress, would let the good years pay for the bad. *(p. 12)*

Coal

Soft coal producers are going through with their plan to eliminate intermine price-cutting, establish the first sales agency for a whole field. *(p. 16)*

Finance

Chicago, and lately New York, are not the only cities with money trouble; local governments all over are blaming the bankers, wondering how to combine retrenchment and politics, relief spending and taxes. *(p. 14)*

Failures are rising, but not so rapidly. *(p. 10)* Finance companies are aiding banks by collecting loans on the instalment plan. *(p. 14)* People are borrowing from small-loans companies to pay instalments due finance companies. *(p. 13)* The man in the street is convinced common stocks are a good investment, buys the bargains. *(p. 16)*

Indications of new Federal Reserve policy make stocks jump and money markets jumpy. Hoarding and bank credit liquidation continue. Bonds advance, affording much needed relief to financial institutions. *(p. 33)*

Labor and Wages

Wisconsin (there she goes!) will give employers until June 1, 1933, to look after their own; then the Grove Law goes into effect and unemployment reserves become compulsory. *(p. 20)*

Senator Wagner's bill again threatens the Presidential peace of mind. Last year, it was vetoed. This year, the failure of the Doak substitute emphasizes the need for effective federal employment exchanges. *(p. 22)*

Senator Hebert's change of views on job insurance helps its prospects: praise from Sir Hebert, as it were. *(p. 22)* Wage cut talk and fact continue. *(p. 20)* Work-spreading has proved itself important. *(p. 21)*

Figures

Industrial activity is slow, slightly better; steel and automobiles await effects of new models; power consumption is off. The *Business Week* index moved up a point this week to 63.5% of normal. *(p. 31)*

Foreign

World trade volume and prices are still sliding down, but less rapidly. Our export trade, biggest of all, was hardest hit. *(p. 24)*

Germany has passed England, is now not far behind us in exports. Her success (and any hope of debt payments) is fleeting: the barriers are up. *(p. 25)*

At least 2 of the 5 South American countries reported to be shifting London sterling balances to New York, are taking large losses to maintain the gold standard. *(p. 26)*

Exporters should keep close watch on the economic parleys scheduled this year. *(p. 25)* A post mortem on the British money market shows what happened to new issues. *(p. 23)*

The summary of business abroad sees reparations as the chief worry, France as the key worrier. *(p. 27)*

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending January 16, 1932

By Whatever Name, New Policy Of Reserve Strikes at Deflation

It may be just an experiment but there are plenty of reasons for trying it

THE Federal Reserve system stirred hesitant business and finance into enthusiasm this week with what looked like a new anti-deflation policy. This enthusiasm was promptly translated into a vigorous security price advance and general stimulation of confidence.

The outlook is for a further stimulation as succeeding steps reveal the policy at work. But it also contains elements which temper some of the enthusiasm.

What happened? A meeting of important officials of the system was held in Washington. It was followed by a reduction in the acceptance buying rate, showing an attempt to buy more acceptances. The proceeds would be used by banks either to repay borrowings or to increase their reserves. In either case, their position would be eased and their ability to expand credit increased.

Actually there are relatively few acceptances to be bought. So adherence to an anti-deflation policy would necessitate the purchase of government securities as the next step. And an almost riotous rally in the prices of these obligations this week indicated that a powerful buyer had come into the market.

Since, in the past, open market operations have been accompanied by discount rates also designed to ease money and make bank borrowing cheaper, a rate reduction is now in order.

Persuasive Reasons

There were persuasive reasons for the new policy. Bank credit has been eroded at a dangerous speed. And bank credit is what the country uses as money for most of its transactions. Additional demands on the National Credit Corporation, causing it to call on subscribers for more funds, brought strong supporting evidence of the need for additional credit.

To the rising clamor for an aggressive anti-deflation move, powerful voices have recently added a new stridency. Washington has heard from big agricultural organizations. Economists meeting in the capital during the Christmas holidays shouted the demand at the doors of the Federal Reserve Board. Col. Leonard Ayres, Cleveland economist influential in the Reserve, joined the chorus. Gov. George L. Harrison of the New York Reserve Bank broke a silence of months to say that deflation must stop. Some of New York's most powerful institutions voiced their approval.

Congress and the Treasury have exerted much influence. The banks must be put into position to buy large new government issues that must be sold soon. They must also be ready to buy debentures of the Reconstruction Finance Corporation so that it will not be curbed by any shortage of funds.

And, Finally, Hoarding

Finally, hoarding must be counteracted. Normally, immense amounts of money withdrawn for holiday trade return to the banks in January, swelling their reserves or enabling them to get out of debt. Thus far hoarding has resulted in this movement's being much smaller than usual—at a time when a decline in Federal Reserve credit, as acceptances have been paid off, has contracted bank reserves and restricted credit.

Reserve officials are still taking pains to stress the fact that inflation is anathema to them. They are represented as being slightly peevish about some rather generous estimates as to how far their policy will go, reiterate their familiar idea that if bank borrowing is reduced to a low level banking position is eased and they can do no more.

Reserve action may, therefore, stop when bank borrowing has been somewhat reduced. If so, there will have been no forced credit expansion. Credit expansion will have just been made more possible. But it is already possible if commercial banks felt it safe.

There is another gap in the program. The purchase of government obligations must be made mostly in New York since that is the only place where appreciable amounts can be bought. Yet it is the banks outside of New York whose credit is being most rapidly deflated. How much the purchase of governments in New York will help to reduce borrowings or increase reserves of banks outside is a very dubious matter.

Forthcoming events are likely to indicate superficially that a really aggressive policy of inflation is being followed. These indications will generate considerable enthusiasm—which is apt to be overdone speculatively. There are skeptics who prefer to view the move as entirely experimental, and to wait and see whether it will work—and be kept at work.

Discretion Helps Bankers Help Real Estate

THOUGH nothing has been said about it, current governmental policy is playing an important part in protecting banks from the depressed real estate market—and the real estate market from the banks.

Banking laws set a definite limit upon the time banks can hold real estate which they acquire under foreclosure. For national banks, and for New York banks for instance, this limit is 5 years. Within that period, says the law, they must dispose of the property they have taken over. Should the provisions of this law now be enforced on real estate so acquired in 1927 and still held, considerable forced selling would follow.

Such selling would further demoralize the real estate market, further depreciate real estate prices, and saddle extremely heavy losses on the banks.

However, the New York State law allows the banking department to exercise its discretion in enforcement and it is doing so at the present time. And, while the federal law allows no discretion, the Comptroller's office is nevertheless functioning as discreetly as though operating under New York law.

This policy does not mean a blanket

moratorium. It is all a matter of discretion.

So far there has been no request for legislation to change the letter to conform with the practice. It has been felt that if such legislation were proposed and there should be a delay in its passage the effect might be harmful, whereas discretion is meeting all requirements.

Business Begins to Grow Uneasy About Government Borrowing

THE federal financial problem came through the front office door this week, sat down at the business man's desk and shoved a threatening fist under his nose. Introductions were by Secretary Mellon. Bankers said, "You two ought to get acquainted" and proved it by reference to government bond prices, prospective tax increases, federal borrowing possibilities.

The last sounded most convincing. Tax increases are a foregone conclusion, with business only waiting to find how far below the Treasury's figure of $920 millions Congress is willing to cut them for political reasons. The question emphasized by this week's news is how much — or how little — expenditure Washington is going to demand in addition to the budget. All of the addition must be met in borrowed funds, loaded onto a federal debt that the depression has already pushed to more than $1 billion and will increase another $1 billion in the next 6 months, even if no frills are put on the budget. The prospect of such borrowing brings these almost astronomical figures into direct relation with every man's business.

Cannot Ignore Effects

While it has been easily granted that a considerable amount of governmental borrowing will be necessary for some time to come, the effects of large governmental borrowing have been as easily passed over. They are felt by private as well as public credit. They should not be ignored, even by those who hold the tenable position that the government can borrow funds to finance reconstruction more cheaply than private interests; or those who favor government borrowing as a means of redistributing wealth by charging expenditures for the benefit of the "have-nots" to taxes levied on the "haves."

The credit of the federal government is no more inexhaustible than that of a municipality. It is true that the limit is higher than that of the smaller unit; but it is equally true that any approach to that limit is infinitely more dangerous in the case of the big one, for the strength and stability of the federal government is the last stronghold of confidence.

However, business doesn't have to look that far to see trouble. Every issue by the government to raise new funds—in contrast with refinancing—depreciates its securities already outstanding. Those who discount the seriousness of this overlook the fact that such depreciation—of the last group of investments to escape the downpull—profoundly affects the financial institutions which are large holders of these securities.

Furthermore, each issue raising new money hits business directly by absorbing what it could otherwise count on as loanable funds. This is a particularly grave matter for companies which have large amounts of maturing obligations to meet this year. If loanable funds are taken by the government, they will be unable to refinance and thereby set on the most direct road to receivership—or to government aid.

To all of which is added the argument that borrowing lays a heavy burden on that future which is expected to bring an upturn in business, making a tax increase inevitable at a time when it must inevitably impede recovery. For every $100 borrowed for 20 years at 4%, $180 must be repaid, with the rate going up as the borrowing increases.

An Expensive Device

To those who argue this way, the counter-argument that heavy governmental borrowing is a useful device to force credit expansion and stop deflation has no attractions. The device looks too expensive. Others, much cheaper, could be used.

The real test in connection with governmental borrowing has not yet arrived. Congress has still to face the necessity for public relief, regional requests for "pork," demands for public construction. Some indication of what a test it will be is given in the announcement that bills introduced up to January 9 called for appropriations of $29 billions more than has been budgeted.

What Congress Did

The Senate:

Passed bill creating the Reconstruction Finance Corporation.

Amended same bill to make $50,000,000 of reconstruction fund available for loans to farmers for crop production.

Rejected amendment to extend reconstruction loans to irrigation, drainage, and reclamation districts.

Rejected amendment to extend loans to shipping companies.

Passed bill authorizing Treasury to subscribe an additional $125 millions for Federal Land Banks.

Adopted 2 Walsh (Mont.) resolutions calling for data on construction projects for next 6 years.

Adopted Couzens (Mich.) resolution to investigate use of radio for advertising.

The House:

Passed tariff bill.

Passed an omnibus pension bill.

Depositor-Relief Plan Inspiring But Inadequate

CONGRESS' present plan to aid depositors in closed banks may be praiseworthy but it is woefully inadequate. The first-aid fund of $150 millions provided by the bill now under consideration covers only a tenth of the deposits that have been tied up by bank closings in 1931. And even though some of those deposits have been paid in the course of liquidation, the fund proposed is still small in proportion to the total. Probably the question of where to get the money accounts for the modesty of the proposals.

Such a relief fund would have been adequate to the needs of depositors caught in the bank closings of any year prior to 1929 and it may be big enough to meet the requirements of the post-depression years to come. But there were 2,302 closings in 1931, accounting for $1,580 millions of deposits, according to *The American Banker.* They locked up about 10% of the banks, 2.9% of deposits.

Relief for luckless depositors was originally reserved for the Reconstruction Finance Corp., but Washington decided that this child of the depression would be born to enough trouble without the additional load.

Automobile Makers Decide The Best Defense Is an Attack

Mobilize every resource of the industry in a determined effort to sell new cars for old

WHEN the economic history of the times is written, the automobile makers should go down as the heroes of the depression. In a year when they were expected to sit tight and make the minimum of expensive model changes, they have decided to "shoot the works."

The New York Show opens this counter-attack on hard times with new models that are new, and more real improvements than have graced Grand Central Palace in a decade.

It's going to be harder than ever to drive the old car, just as hard to select a new one, for all makes boast greater comfort, convenience, and performance, at prices even a little lower than last year.

Free-Wheeling Cures Noise

Free-wheeling, in some form or other, is standard equipment on almost all cars (even the new Ford is expected to have it); clash-proof transmissions and silent-second have spread to the lowest price class; stronger frames, increased power, lower and better insulated bodies, improved streamlining are just as democratically distributed.

Many makers feature ride control, automatic starting switches, everything for driving ease short of automatic chauffeurs.

Free-wheeling, with its "coasting," emphasized engine and body noises, brought new mufflers, carburetor silencers, sound-proofing.

High points: the frame, appearance, aluminum cylinder head of the Graham (*BW—Dec23'31*); Packard's light 8 which puts it into competition in the $1,500-$2,000 class; Auburn's 12-cylinder job and dual-ratio rear axle; Chrysler's expansion of "floating power"; Oldsmobile's choice of 6 or 8 in the same chassis at $100 difference.

DeSoto has discontinued its 8, will concentrate on the 6; the Oakland is now the Pontiac V8; Chrysler has added a Custom Imperial line; Hupmobile features radically different body lines and a chassis torsional stabilizer; the Stutz Bearcat is guaranteed to do a hundred.

The industry has 2 things in its favor: the new cars are more attractive buys than ever; the old cars are getting older. The glittering and exciting new models create the desire; the first heavy repair bill on the old bus makes the sale.

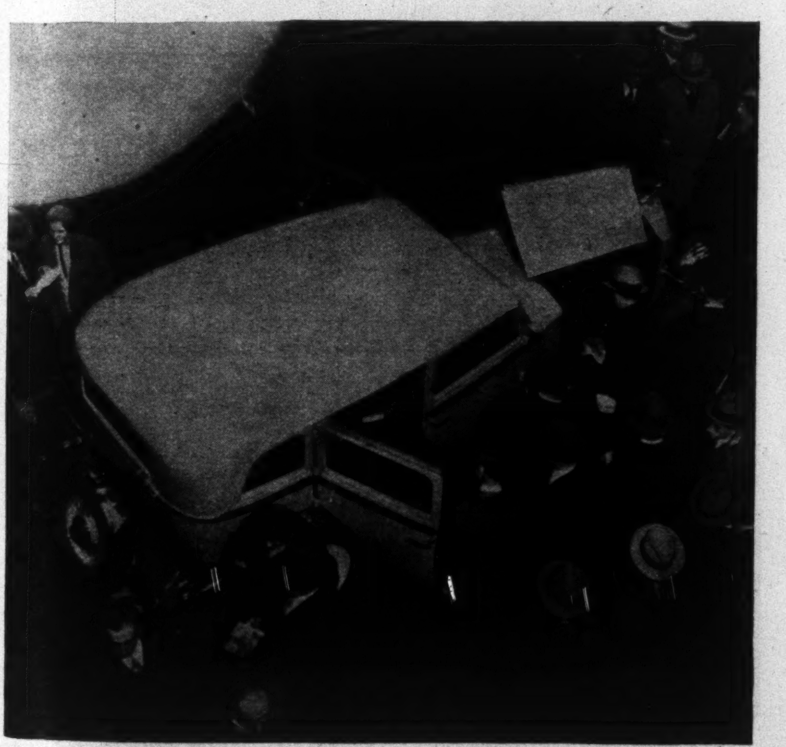
Reduced sales for the last 2 years have increased the number of old cars due for a turn-in. Some 6 million car owners will get that first big bill this year.

Grounds for Optimism

Interest at the show has been high; more people than ever paid 75¢ to crowd around the exhibition models. More reliable as an indicator is the record of new car sales before the show.

The new Chevrolet, announced Dec. 5, enjoyed a greater sale in the balance of the month than in any previous December. Production of new Buicks last month was 30% above November. Studebaker 1931 sales were double 1930. Graham's December total was a company record. Hupmobile shipped 5 times as many as in the previous month. Plymouth, announced in July, sold as many cars in the following 6 months as in the whole of 1930.

The total December output of the industry was about 100,000 units, compared with 65,000 in November. Most of this was for dealer stocks, which, happily, are at an unusually low point, an estimated 2 cars per dealer. The expected increase in sales will thus be of immediate benefit to the dealer.



Acme

AT THE AUTOMOBILE SHOW—*Crowds around the new Packard Light 8, selling for $1,750, lowest of any Packard. This year saw many changes*

1931 Automobile Output Dropped 30%; Value, 37%

MOTOR vehicle output in the United States and Canada last year totaled 2,460,000—30% less than in 1930—according to National Automobile Chamber of Commerce, which has made public its annual Preliminary Facts and Figures. Value of cars produced dropped 32%, that of trucks 36%. Total sales of motor vehicles, accessories, service equipment, replacement parts, and tires, was $2,101 millions, 37% below the 1930 total.

Registration data indicate a small decrease in number of motor vehicles in use in the United States (2.3%) and throughout the world (2.8%): American total, 25,940,000; world total, 34,575,000. The number of passenger cars on American farms declined nearly 800,000 during 1931 while number of trucks increased 150,000. Slightly more than 4 million persons were employed in motor vehicle and allied industries during the last year, a million less than in 1930. Gasoline taxes rose $30 millions during 1931, motor vehicle taxes $22 millions.

The industry consumed about the same proportions of various raw and semi-finished materials as in previous years. Chief gain was in tin—from 11% of the country's total consumption in 1930 to 14% last year. Automobiles also accounted for 83% of the rubber we used, 69% of the plate glass, 15.5% of the iron and steel, 18% of the hardwood lumber, 15% of the copper, 26% of the lead, 17% of the aluminum, 30% of the nickel.

Our 1931 foreign sales of American automobiles fell 44% from the 1930 total of 560,000 to 315,000 and represented 13% of output compared with 16% in 1930. Value of total automotive exports dropped 54% from 1930.

More Cars Get Behind Canada's Tariff Wall

THE Hudson Motor Car Co. has formed a company to make Hudson and Essex cars for the Canadian market at Tilbury, Ont. Hudson now has 600 sales outlets in Canada and the number of Hudson and Essex cars in operation is 15% in excess of the registration of cars in their price group. Production will begin the middle of January.

Studebaker will manufacture Pierce-Arrow as well as its own cars for Canadian consumption in its plant at Walkerville, Ont. Hupp, Nash, Reo, and Graham-Paige are among the other American companies which heretofore have exported cars to Canada from domestic factories, but now are building Canadian cars in Canada. Ford, General Motors, and Chrysler have had Canadian plants for some time. Buick has announced that hereafter bodies for its Canadian cars will be produced at the General Motors plant at Oshawa, Ont.

The movement among automobile makers to operate Canadian plants is the result of the recent imposition of high import duties on motor cars—encouraged, it is said, by American manufacturers having Canadian plants who wanted to check some of the independents that had been taking a considerable portion of the Canadian business by shipping from U. S. plants.

Refrigerator Makers Cut Terms To 25c. a Day, No Down Payment

Seize upon slot devices to boost volume when winter season dullness descends upon them

MERCHANDISERS of mechanically-operated refrigerators are alarmed over the increasing tendency of some distributors and dealers to maintain abnormally high sales volume by dangerous artificial stimulation.

Refrigerators for home use average over $200 each. Excepting a motor car, or piano, they probably represent the householder's largest single-unit investment; when sold on instalments, the largest commitment.

During the first 9 months of the industry's 1931 million-unit sales drive, sound terms were maintained. Approach of colder weather—the ordinary "off" season for refrigerator sales—caused distributors, dealers, and salesmen to seek methods of holding waning interest, cashing in on prospect lists, moving balance of sales quota.

Some dealers offered refrigerators for a small down payment, and to help buyers through the holiday strain on funds, scheduled the first instalment due in March, 1932. Others offered delivery of the selected unit at once with no payment until March–April, 1932. Prospective purchasers found terms the more frequently used sales argument with mechanical superiority or quality a secondary consideration.

Almost throughout the industry, smaller down payments are accepted, monthly payments reduced, until instalment terms previously insuring completion in 1½ years now often extend well into the second year.

Dealers, intent on maintaining sales volume with some safety, are employing recently perfected current control devices, which will operate only when a quarter is dropped in a slot every 24 hours.

These are separate units carrying time switches which automatically cut service

Wide World

NEW ENGINE—*Frank B. Stearns, Cleveland automotive pioneer, points to his oil-burning aluminum engine. It has no sleeves or valves, is said to produce more power per pound than conventional 4-cycle engines* if daily payment fails. The necessary monthly collection from these devices gives dealers opportunity for definite check on purchaser's performance.

When payment is completed, the control device—property of the dealer—is removed for repeat use and the purchaser gets bill of sale.

Timing the Payments

Mills Novelty Co. sells a combination quarter-in-slot coin device and clock at $16.50 which has been adopted by many dealers and helped some department stores move a record-breaking number of units into homes.

Meter-ice of America Co., Ltd., has had remarkable success selling its Meter-ice device to some department stores, utilities, large distributors. Made by Warren Telechron Division of General Electric Co., the device contains the usual time switch, an exclusive self-starting feature, insures the user of the refrigerator continuous service if a daily 25-cent deposit (or up to 11 quarters at once) is made. Since starting production in June, 1931, the company has sold 18,000 units and 1932 schedules call for eventual weekly output of 5,000, total of 250,000 for the year.

Going National

Some refrigerator manufacturers urge upon dealers the use of the device and at least one manufacturer is under way with a national campaign to build volume through use of the Meter-ice plan.

Companies organized to finance instalment sales are divided as to the soundness of this type of selling.

One nationally operating company, closely affiliated with one of the largest refrigerator manufacturers, now carries contracts covering coin operated units.

The Bankers-Commercial Security Co., Inc., has a special financing plan for Meter-ice sales.

Some department stores have arranged for financing such sales within their organization.

One of the largest financing institutions in existence at present refuses to handle any contracts not showing a substantial deposit by purchaser and providing for termination at least within 18 months.

They agree with the more conservative manufacturers and dealers that since, according to *Electrical Merchandising*, 80% of all wired homes are still without electric refrigerators, there is as yet no excuse for dangerous selling practices.

Obsolescence May Win

They insist that at 25¢ per day, $7.50 a month, purchasers are likely to consider the venture merely another means of buying "ice," because there is little accumulating equity beyond what would be current expense. In the race between actual ownership and obsolescence, the latter may win, dealers be left with a flock of second-hand machines, unfulfilled contracts, serious losses.

One finance company executive described the present wave of term selling as a case of hunger rather than judgment, stated that his company would under no circumstance finance such operation until sufficient experience had been gained to prove the soundness of no-deposit, or quarter-a-day selling of an appliance involving so great a dealer investment.

Chemical Manufacturers Develop Better Distribution Methods

MANUFACTURERS of chemicals and allied products, finding excessive production capacity and resulting price disturbances a serious handicap to profitable operation, have been subjecting to close scrutiny their markets, present sales practices, territorial competition, and revising their distribution set-ups to gain more efficiency, economy, and profit.

A special survey just completed by *Chemical & Metallurgical Engineering* and *The Business Week* disclosed many interesting examples of what is going on throughout the entire industry.

A heavy-chemical company in New England has given preferred attention to distribution problems during the last 2 years, established a technical sales service and a development department for new products, found new uses of present products, set up a committee on new packages, and is concentrating sales effort on profitable lines and profitable customers.

An important alkali manufacturer has scrapped its 40-year merchandising policy, is going direct to the large consumer, wherever existing channels have failed to produce its share of available volume.

A process industry, with chemical by-products, considers distribution its greatest present problem, is insisting on more technical training of its sales personnel and, wherever necessary, is eliminating dealers to sell direct to industrial consumers.

One of the largest producers of sulphuric acid has started to reduce selling costs by revamping salesmen's compensation and now measures its performance by profits earned, not tonnage moved.

Cuts Costs With Trucks

A leading fertilizer plant has simplified fertilizer distribution by increasing the use of trucks for delivery from factory or warehouse direct to the farmer.

A well-known maker of pharmaceutical products has changed merchandising policies several times during the last 2 years to eliminate unnecessary costs, make every transaction show a profit.

One of the world's oldest manufacturers of pharmaceuticals, continuing its policy of distributing strictly through wholesalers whom it considers indispensable to the economical distribution of certain products, has strengthened their position by giving them increased cooperation.

Planned Selling

A manufacturer of heavy chemicals, with many affiliates and national distribution, is now reorganizing its entire set-up, developing a comprehensive plan for coordinating and simplifying all activities, aims at more intensive selling, with more frequent calls on select prospects, and expects to effect material reductions in distribution costs with improved performance.

One producer of raw materials, largest in the field, finds that high freight rates on railroads severely handicap free and economical distribution of his particular product, proposes to use waterways extensively.

Rug Makers Will Get Closer to the Consumer

RUG and carpet manufacturers are launching new lines, new patterns, new marketing plans, in the belief that, despite lower price levels, better profits can be earned for themselves and their distributors.

Old-style merchandising, even when stimulated by price reductions, has merely kept yardage up. The prospect of a market improvement through increases in governmental and private residential building, supported by replacement buying, is looked to as an excellent opportunity for developing an improved sales strategy.

Forthcoming sales and advertising campaigns are to be concentrated more directly on the consumer. For example, Mohawk Carpet Mills, adopting the book-room-dress-of-the-month idea, will begin in February to replace general advertising by copy that, each month, focuses consumer attention upon a specific pattern and grade of rug. Distributors, retailers, retail salesmen will tie in local promotion. Seasonal trends and special regional needs will get attention.

"Lively Wool"

Bigelow-Sanford Carpet Co., claiming that 98% of all carpets and rugs are bought by women, begins a national campaign in February, chiefly in women's magazines, featuring the newly adopted "Bigelow Weavers" identification tag now attached to its products, featuring frolicking lambs—"lively wool"—to symbolize high wool content.

A. & M. Karagheusian, Inc., has dropped the base price of its 9'x12' American-made Gulistan oriental rugs to $100, one-third less than the 1928 price of $150, at which American production was undertaken. A direct-to-the-consumer campaign is under way. Dealer purchases are being stimulated by an organized drive to speed the sale of discontinued numbers at $85, or $15 under the lowest-ever figure.

The Karastan Rug Mills, ready to show new patterns Feb. 1 with prices remaining at August, 1931, levels, is extending its dealer organization in preparation for a consumer advertising campaign late in 1932.

W. & J. Sloane, representative for Alex Smith & Sons Carpet Co., is shifting advertising schedules to include more consumer media, promote intensive dealer cooperation.

The Smith Co.'s carpet mills at Yonkers have just returned 3,000-odd employees to a full 6-day-per-week production schedule and taken on several hundred additional workers to fill orders received from mail order houses and other national buyers.

International News

SUPPER-HETERODYNE—*Radio enters the kitchen, is here installed in a kitchen cabinet where the flour bin used to be*

Failures Increased in 1931, But Rate of Increase Dropped

Comparisons with preceding years reveal signs of improvement though totals reached new peaks

WHILE 1931's commercial failures as tabulated by R. G. Dun & Co. reached record-breaking totals in number and liabilities, they showed a decidedly encouraging slackening in the rate of increase developed during the previous year, and signalled definite improvement in important fields.

The 1931 total of 28,285 failures in all classes represents an increase of but 1,930, or 7.32%, over the 1930 total of 26,355, whereas that year's total stood 3,446 or 15.04% higher than 1929 and 10.5% above 1928, the previous record year.

Liabilities Up 10%

The 1931 liabilities of $736½ millions were $68 millions, or 10.17%, above 1930, whereas that year showed an increase of $185 millions or almost 40% over the 1929 total of $483 millions.

Failures of manufacturers of all classes in 1931 rose above 1930 levels by 2% in number but by 18% in liabilities. Retailers and merchants produced 9.6% more failures, 30% more liabilities than in 1930.

The failures of 1931 carried down 1.33% of all concerns in business. This percentage is the highest since 1878 when 1.55% of us failed; it has been approached only twice since 1878—in 1896 (1.31%) and in 1915 (1.32%).

Of course, failures do not account for all of the casualty list of a depression. Figures indicate that during 1930 approximately 3,414 more concerns, or 0.15% of total, liquidated, assigned, or simply dropped out. In 1931, it is estimated, 29,435 or 1.38% of all our business enterprises were thus eliminated—a greater number than the total of all failures.

A comparison with former years digs significant facts out of the classified record of 1931 failures among manufacturers.

From 1925 to 1929, right through the boom years, the lumber and allied industries showed an unbroken record of increases in number of failures (*BW—Jan14'31*), and amount of liabilities. In 1930, with a slight decline in number, they reported the largest total liabilities ever recorded for a single classified group, over $55 millions. But during 1931 failures in this group dropped 30% in number and 20% in liabilities from the 1930 record high.

The cotton textile group had only 11 failures to bewail in 1931 (lowest total since 1925) as compared with 26 in 1930, while 1931 liabilities show a decrease of about 6% from the 1926 high although the amount is slightly greater than in 1930. Failures among woolens, carpets, and knit goods manufacturers almost doubled the 1930 number, rose to 54 as compared to the record high of 70 in 1925, and liabilities established a new high record.

More Small Failures

Hat, glove, and fur manufacturers produced the same number of failures in 1931 as in 1930 but liabilities dropped about 4%.

Number of failures in the leather and shoe group rose 30% but liabilities dropped over 15%.

In the iron, steel, and foundry group failures rose 80%, liabilities show a 600% rise because 1930 casualties were the lowest in years.

Among retailers and merchants failures and liabilities increased in all but 2 groups. Paint and oil retailers' failures declined slightly in number, and about 16% in amount of liabilities. Hat, fur, and glove retailers boast a better

1931 record than the manufacturers from whom they bought—or neglected to buy. They cut their 1930 failure total by 35, brought liabilities from over $5 millions to under $2 millions.

Department Store Sales Higher Than Prices

DEPARTMENT store sales during 1931 declined less than prices, indicating that in the country at large more merchandise was moved last year than in 1930.

Federal Reserve Board figures show that 1931 dollar sales for 447 stores in 224 cities were 11% under 1930. The smallest decline, 6%, was recorded by 57 stores in 23 cities of the Richmond Federal Reserve district; the largest, 16%, by 15 stores in 5 cities of the Dallas district.

Compared with 1930, the New York district reports 1931 sales down 8%, Chicago 14%, San Francisco 11%. December business dropped below average for the year in all cities excepting St. Louis where it held up to the average for the year, 13% under 1930.

The annual "flash" survey by the Controller Congress of the National Retail Dry Goods Association, covering a much larger number of stores and many smaller ones, produced figures that are very nearly identical with those of the Federal Reserve Board, put retail sales for the country at 11.5% under 1930, and showed substantially the same fluctuations in the respective districts. As an addendum, it notes that total 1931 volume was approximately 19.1% under the 1929 peak.

That declines in dollar volume were less than the actual reductions in prices is indicated by the Fairchild Price Index of Dec. 1, 1931. Including all the important groups of department store merchandise, this index places average prices at 84.6 compared with 100 for Jan. 1, 1931. Musical instruments showed the greatest decline, to 66.5; shoes the least, to 98.9.

Santa Fe Air-Cools More of Its Diners

ENCOURAGED by the success of the air-conditioned diner inaugurated on its crack train, *The Chief*, over a year ago, the Atchison, Topeka & Santa Fe Railroad has ordered 10 more air-cooled diners for its transcontinental service through the West and Southwest. They are expected to be placed in operation next summer. Equipment is the Carrier Engineering Corp.'s newly developed refrigerating system, employing steam from the locomotive and water (*BW—Sep2'31*).

GATEWAY
GATEWAY
GATEWAY
MIDLAND BANK
PARK

International News

MODEL CITY—*Not a real scene, but a miniature to display the possibilities of electric lighting built by General Electric for the Kansas City Power & Light Co. Signs, streetlights, show windows are all to scale*

Rail Merger Opposition Falls Wide of the Mark

WITH the supporting evidence in hand the I.C.C. has suspended hearings on the 4-party plan of railroad consolidation in the East until Feb. 15, to permit the opposition to prepare its case.

Petitions of hostile interveners and their cross-examination of railroad executives who testified last week reveal that much of their opposition falls wide of the mark in that it inveighs against any consolidation.

Objections to the 4-party plan, coming principally from outside Eastern territory, would apply with equal force against a 5-system plan, such as that proposed by the I.C.C. in December, 1929, which included a Wabash–Seaboard hook-up. At this stage in the proceeding the Pennsylvania, New York Central, Baltimore & Ohio, and Chesapeake & Ohio are simply trying to persuade the commission to accept 4 instead of 5 systems as the basis of consolidation.

Not until the I.C.C. has ruled on this principle will the individual roads file applications that, if terms and conditions are agreed upon and officially approved, will bring the plan into reality. This will be a piecemeal process that will take several years to materialize.

Prominent among the opponents of the Eastern consolidation plan, Southern interests will declaim at the forthcoming hearings against the allocation of the Monon (Chicago, Indianapolis & Louisville) to the B.&O., and against the assignment of the Chicago & Eastern Illinois to the Chesapeake & Ohio. They fear deflection of traffic to the Atlantic seaboard.

Rate Decision Leaves Grain Roads Uneasy

THE victory scored by Western railroads in the grain rates case (*BW—Jan13'32*) leaves the carriers with new problems.

Although an injunction has been won against the Interstate Commerce Commission's order reducing rates on grain, the old freight rates cannot be restored unless new tariffs are filed In doing this, however, it is feared that dissension may develop. Several roads are understood to have benefited by the lower rates, and they will probably put up a fight against any attempt to return to the old basis. Should the commission heed their protests and suspend the new tariffs applied for, a rehearing of the whole case would become necessary.

Railroads Are Bound to Play Big Part in a Buying Revival

Dramatic curtailments of 1931 mean heavy purchases when an upturn brings them back to market

ALL the railroads in the United States during the entire year of 1931 placed orders for a grand total of 11 passenger cars, compared with an average of 2,000 a year for 30 years past and the high mark of 4,514 in 1910. Only once—in 1918—did purchases fall lower, establishing a record at 9 cars.

Details of the most dramatic curtailments in railroad history are set forth in the annual compilations which *Railway Age* publishes this month.

10,880 Freight Cars

Freight cars ordered in 1931 were 10,880—just a month's business in a good year. In 1929, 111,218 were bought. Locomotives numbered 235. Any year when locomotive purchases fall under 1,000 is a lean year, according to records. No wonder then that stock of the railway equipment companies has fallen to such unhealthy levels.

And yet, these restrictions notwithstanding, the purchases of Class I railroads for the year registered an impressive total of $863 millions, though around $840 millions less than the purchases of the year before. Of the total, $639 millions was from manufacturers, $224 millions from producers of fuel.

A sizeable lump of the reduction in purchases, probably $50 millions or more, was the result of lower prices. The rest represents actual physical curtailment. It is significant that purchases last year were only 16.8% of operating revenues, against 20.1% in 1930 and an average of 21.5% during the last 5 years. **Conclusion is that** properties are being allowed to deteriorate; sooner or later, larger than normal purchases will have to be made to catch up.

Motor Equipment

One of the most striking features in the 1931 picture was the increased purchases of motor equipment, reflecting the strong trend now under way the country over toward coordination of rail and motor transportation. By the end of 1930, *Railway Age* relates, the number of railroads operating motor coaches had increased to 81, and the number of coaches in use was around 4,000. The number of railroads using this equipment was virtually unchanged in 1931, but coaches increased in number to 5,000.

Motor trucks, tractors, and trailers present an even more striking story. At the end of 1931, 85 railroads had in operation about 10,000 pieces of such equipment. Compared with 1930, this is an increase of 25% in the number of railways using highway freight equipment and an increase of nearly 50% in the number of trucks, tractors, and trailers in service—all in addition to the motor vehicles used by railroads in store-door pickup and delivery service through contract arrangements with local trucking firms.

Glimpsing the Future

In the past, following great depressions, certain new industries or new developments in old industries have come forth as pace-makers for reviving business. After the depression of 10 years ago it was the shift from open to closed automobiles. The changes that will be brought about by the physical coordination of rail and motor transportation which, despite all financial ills of railroads, is rapidly going ahead, may well turn out to be a greater business-building force than is now generally realized. For one thing, such coordination will render obsolete a good share of all freight terminals.

Building of a nation-wide system of less-than-carload freight containers of truck body type will in itself be no small piece of manufacturing. It is coming.

Strange As It May Seem, Some Railroads Beat 1930

DISMAL as the railroad earnings situation appears on the whole, a few roads have been able to show an increase in revenues compared with a year ago.

Included in this group are: International–Great Northern; New York, Ontario & Western; St. Louis Southwestern; Chicago, Rock Island & Gulf; Detroit & Mackinac; Ft. Worth & Denver City; Charleston & Western Carolina; New Orleans Great Northern; Louisiana & Arkansas.

All these roads had a greater net operating income during the first 11 months of last year than during the same period of 1930. However, in all cases but 2—International–Great Northern and the New York, Ontario & Western—the improvement has been due entirely to drastic cuts in operating expenses, rather than to traffic increases.

By far the most conspicuous has been the improvement in earnings of the Van Sweringen-controlled International-Great Northern. This Texas road finished 1930 in a difficult situation, with its operating revenues reduced 17%, due in part to a sharp decline in cotton traffic. But now the International is jubilant. Its gross operating revenues for the 11 months are 20%, net operating income 202%, ahead of last year. The obvious explanation is the great activity in Rusk and Gregg counties in eastern Texas following the discovery of oil there. International-Great Northern is the only line serving this area and its traffic in oil and other commodities shows a big increase.

The better showing of the New York, Ontario & Western has been very largely the result of improvement in anthracite coal business, its most important traffic item. After a sharp decline in income in 1930, this subsidiary of the New Haven showed for the period ending Nov. 30 an increase of 8% in gross, 90% in net, railway operating revenues. A big coal contract has been of great help to the company.

The Aggregates

The $509,502,961 net operating income of 171 Class I railroads for the first 11 months of 1931 was 39% below the same period of the year before, or at an annual rate of 2.02% on property investment. Gross operating revenues totalled $3,948,639,835, a decline of 20.5%, while operating expenses amounted to $3,024,526,027, a drop of 17.8%. Thirty-nine Class I roads operated at a loss during 11 months; 13 Eastern, 7 Southern, 19 Western.

Rayburn Bills Lift Limit on Rail Earnings

WHILE Congress prepares a pulmotor in the Reconstruction Finance Corporation, the House Committee on Interstate Commerce has begun consideration of that "fundamental change" in rate-making which the railroads call essential to a real cure of their lingering financial sickness. Two bills presented for hearings by Representative Rayburn, chairman of the committee, provide the ingredients.

One incorporates the I.C.C.'s recom-

Wide World

INAUGURATION—*Patrick E. Crowley (left), retiring president of the New York Central, is photographed with his successor, Frederick E. Williamson*

mendation to replace the present rate-making rule of a "fair return" on a "fair value" with recapture of earnings in excess of 6%, by a new rule recognizing that, because rail earnings fall below the standard of 5¾% in depression, they may properly be permitted to rise above it in prosperity. The commission would have the power, in adjusting the general level of rates in future, to determine what percentage constitutes a fair return on a rate-base kept current by accounting methods. In fixing this percentage the commission would consider the country's transportation needs, the necessity of maintaining the carriers' credit to meet such needs, in conjunction with the requirements of public interest that rates be as low as consistent with adequate service.

The other bill would eliminate any provision for a percentage of fair return or a rate base.

The Banana Destroyers Prove Their Economy

THE ancients rejoiced when the swords of war were hammered into peaceful ploughshares. Taking the idea to sea, the Standard Fruit & Steamship Co., of New Orleans, has converted U. S. destroyers into banana carriers. Stripped of guns and torpedo tubes, the *Worden* has become the *Teapa* under Nicaraugan registry, and the *Putnam* the *Tabasco,* flying the Honduran flag. Runs from Central America to New Orleans and New York have proved the economy of the ships in their new work.

The *Teapa* made the 1,800 miles from Ceiba, Honduras, at an average of 15.5 knots. She managed to ignore the sneers of bluejackets who had known her during her belligerency. Only a navy man would recognize her for what she was. Formerly she carried 130 officers and men. Now that she's in business, her crew numbers 18.

Diesel Motors Installed

The destroyers were built over in New Orleans. Ammunition and torpedo lockers, extra space for the crew were converted into banana holds. A 750-hp. Ingersoll-Rand diesel motor was harnessed to each of the *Teapa's* twin screws. Tests have been so successful that 2 other destroyers will be put into the service by Standard Fruit.

Economies are multiple. The *Teapa* did 2,750 miles on 171 bbls. of distillate. Her 1,100 gross tons give a capacity of 20,000 bunches against 80,000 bunches carried by her larger sisters. But light draft allows her to load far up rivers and makes profitable her diversion to ports which will only provide small cargoes.

Bananas are temperamental voyagers. Refrigeration may encourage decay after they land. The ex-destroyers' cooling machinery consists of blowers and deck ventilators. Steam pipes prevent winter temperatures falling below 55 deg. F.

The crews admit that the converts buck considerably in the winter seas that sweep Hatteras. But the bananas arrived unbruised. Standard Fruit is determined to get its share of the Northern markets by regular service to New York, Boston, and Philadelphia.

Small Loans Go Up To Keep Up Instalments

THOUGH bank lending falls off steadily, one type of financial institution continues to lend more and more. This is the larger-sized small-loan company, as organized in 24 states to advance up to $300 on chattel mortgage under the uniform small loan laws.

Household Finance Corp. of Chicago, and Beneficial Industrial are the largest institutions in the field. Though exact figures are unavailable, both companies did a larger business this year than last and, according to present indications, served between 700,000 and 800,000 people during the year just ended.

The most marked increase in type of loan was that obtained to continue instalment payments. Dr. M. R. Neifeld of Beneficial reports to *Personal Finance News* that 14.2% of his company's first 3,000 loans in September, 1931, were for that purpose as compared with only 9.6% of the first 3,000 in September, 1929. Household loans do not show such a trend, however. The largest decrease in Beneficial's loans came in those made for the consolidation of debts.

Old Cars on Road Are Also on Insurance Bills

PREMIUMS on some or all types of automobile insurance in New York state probably will be increased in the near future. Insurance companies, examining the results of 1931, find that accidents rose considerably. One of the major reasons was the large number of unusually old cars on the roads. The increases will probably include all classes of cars, but it is not yet certain whether all or only some types of insurance will rise in cost.

Cities, Their Credit Poor, Face The Great Dilemma of Depression

Shall they retrench and throw men out of work or make jobs and pay through the nose?

New York, told it must balance its budget; Chicago, hard-pressed for cash, fill the public eye. Not so conspicuous, but in the aggregate more important, is the fact that scores of cities, great and small, as well as counties, school districts, local governments of all kinds, are in financial straits.

Their first reaction is to cry that the bankers have shut down on them. That it is an unwarranted and hard-hearted banking conspiracy. The first assertion obviously is true. The second is inherently improbable, for a banker will issue any security he can sell (*e. g.*, Peruvian bonds). Ten to one, when he refuses further loans to any city, it is because he has a box full of the city's previous paper which he hasn't been able to market. Furthermore, with depositors' nerves jumpy as they are, the banker must be sure, not of ultimate payment, but of quick repayment.

Often, the banker points out that if the city would balance its budget, curb its extravagance, abandon some of its ambitious plans, its paper would be more attractive to investors.

This is called, on next morning's front pages, "bankers attempting to dictate the policy of our government." Which is swell politics and almost excusable, for the politician today faces a situation which puzzles the wisest of men; it is the Great Dilemma of Depression.

Questions of winning votes aside, the problem is real. Is this the time to retrench, and save taxpayers' money, or is it time to provide as much work as possible, as Washington urges, and give outright relief to prevent suffering? A balanced budget almost inevitably means abandonment of construction, throwing more men out of work, and inadequate public relief.

International News

Those Bolivian Bonds—*Senator Johnson (right) questions Clarence Dillon, of Dillon, Read, on South American loans at the Senate inquiry*

Various local governments are making different answers. New York City is having difficulty in obtaining a loan; has been forced to curtail relief; has appealed to Congress. Detroit was refused a loan; had to cut salaries and other expenses, curtail construction, and abandon new projects. Philadelphia has had repeated trouble in borrowing; has cut salaries. Chicago's difficulty in borrowing is of long standing.

South Carolina wanted to sell bonds, but was forced to defer the attempt because of the unfavorable market. Baltimore offered bonds for sale, got only one bid and that so low it was rejected. In the past few weeks several governments have offered bonds only to receive no bids, according to Moody's reports. These include Lucas County, Ohio; Oakland County, Mich.; Passaic County, N. J.; Chicago County Board of Education, and Elizabeth, N. J.

Units in Default

Other occurrences reported by Moody's include defaults by several Improvement Districts in Los Angeles, by Florence, Ala., and some Chicago units. The State of Michigan has offered to buy some Macomb County bonds otherwise unsaleable in order to afford relief. Aroostook County, Me., has cut school teachers' pay in half and paid that half in scrip. Salaries have been cut by Atlantic County, N. J.; Chicago, Louisville, Nassau County, N. Y.

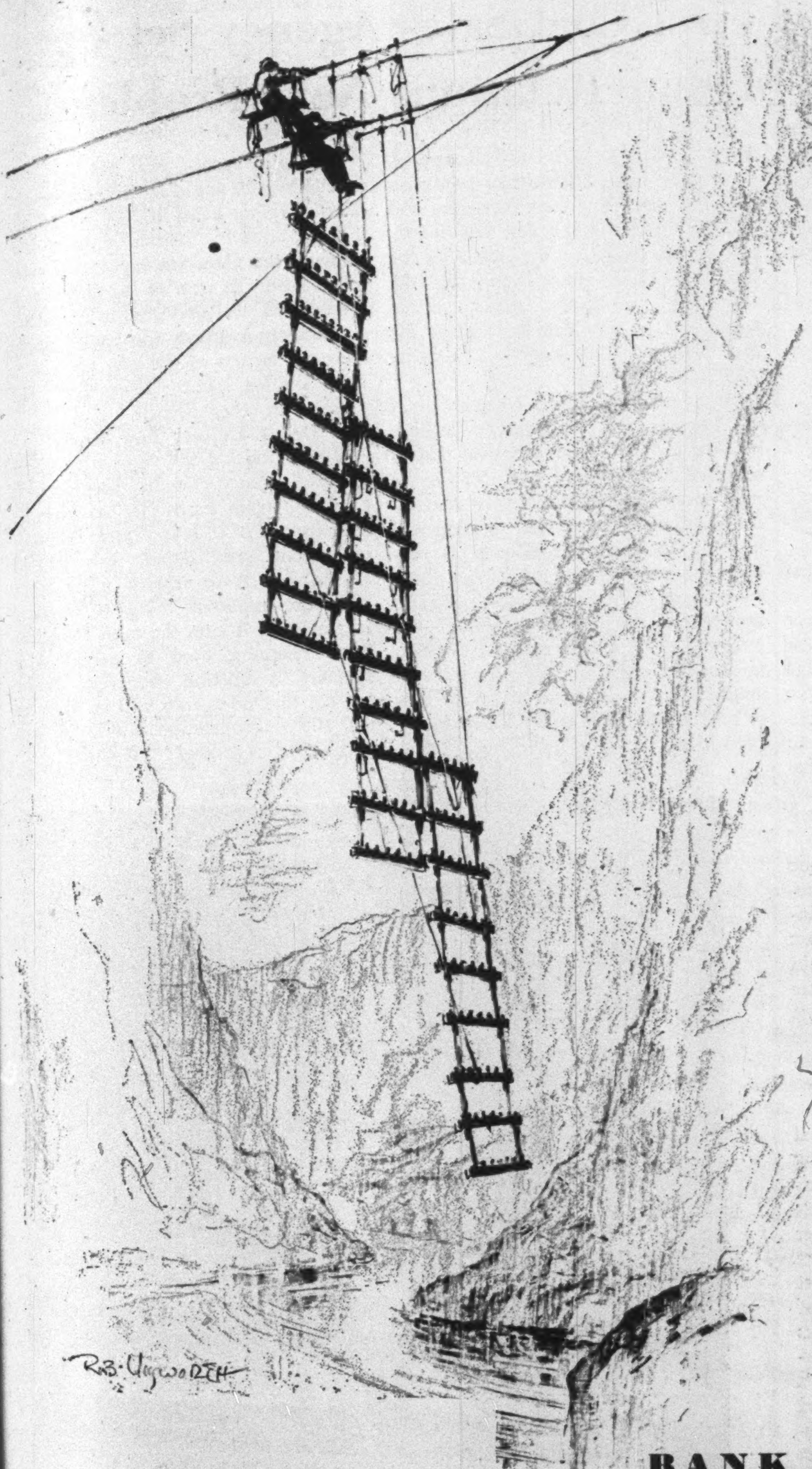
In contrast to these unfortunate cases, a number of governments have been able to borrow for their needs. Those reported by Moody's include El Paso, Tex.; Hempstead, N. Y.; Paterson, N. J.; Rensselaer County, N. Y.; Rochester, N. Y.; Salt Lake City; Shelby County, Tenn.; New Rochelle, N. Y.; and West New York, N. J. Philadelphia is able to sell a few bonds daily, but the process is a slow one.

Financing Companies Thaw Banks' Frozen Assets

Following a steady policy of greater diversification, instalment finance has entered a new field. Some Middle Western companies are now liquidating the assets of banks to their own profit and the benefit of the banks.

Northern Illinois Finance Corp. of DeKalb, for example, takes the secured or unsecured loans of banks that seem susceptible to collection on the instalment plan, obtains some security from the borrower, and collects the loan on a monthly payment basis.

The company states that the plan can



*California linemen,
spanning a mountain canyon*

OPERATING throughout California, the four largest telephone and telegraph companies in the state are depositors in Bank of America, which also covers California . . . Communication companies have invested nearly one-half billion dollars in California, giving work to 40,500 persons . . . Operations so vast require unusual banking service, which is found in Bank of America's 410 branches . . . This statewide Bank has any service your business needs. Correspondence is invited . . . Bank of America, San Francisco or Los Angeles.

BANK OF AMERICA
National Trust & Savings Association
CALIFORNIA

Bank of America National Trust & Savings Association, *a National Bank* and . . . Bank of America, *a California State Bank* . . . are identical in ownership and management . . . 410 offices in 243 California communities

be put into operation in 75% of the cases in which the banks are holding notes without collateral; that small payments appeal to many borrowers as a device to pay their obligation; that the arrangement has saved several banks from closing. The company feels that much more could be done could it extend payments over a longer period of time. But other banks which are, in turn, financing it, refuse to permit longer terms.

Bargain-Hunters Swell Total of Stockholders

OWNERSHIP of American industry continued to become more widely diffused in 1931 according to early reports—this despite steadily dropping stock prices and gloomy talk about the future of American corporations.

The first 9 major reporting companies listed 35.8% more stockholders at or about the end of 1931 than a year earlier, and 100% more than at or about the end of 1929. The average man's conviction that common stocks are a good investment and simultaneously a good speculation does not seem to have been weakened by recent experience. And apparently a good many average men continue to earn and save money, depression or no.

With stock prices declining for the most of the period, this buying represents bargain-hunting. Part of the increase was probably due to the fact that lower prices put stocks within reach of people who had not before been able to buy them. The average holdings of stock must be lower since generally capitalization was not increased in 1931.

A. T. & T. Leads List

A. T. & T. had the largest 1931 total of stockholders, 642,180, followed by Cities Service with 506,000, and Pennsylvania Railroad with 243,361. Totals at the end of 1930 in the same order were 470,000, 355,175, and 233,451.

Figures showing the increase reflect again the fact that a large amount of the floating supply of common stocks has disappeared quietly from the market. Much of the buying has been a few shares at a time, and so attracted little attention. But that kind of buying means that stock that formerly was in a broker's office held on margin is now in a safe deposit box. That so large an amount of stock is "out of the market" should be reflected in rapidly rising prices whenever any appreciable demand for stocks develops.

First Coal Sales Agency Set Up; Labor Relations Next Problem

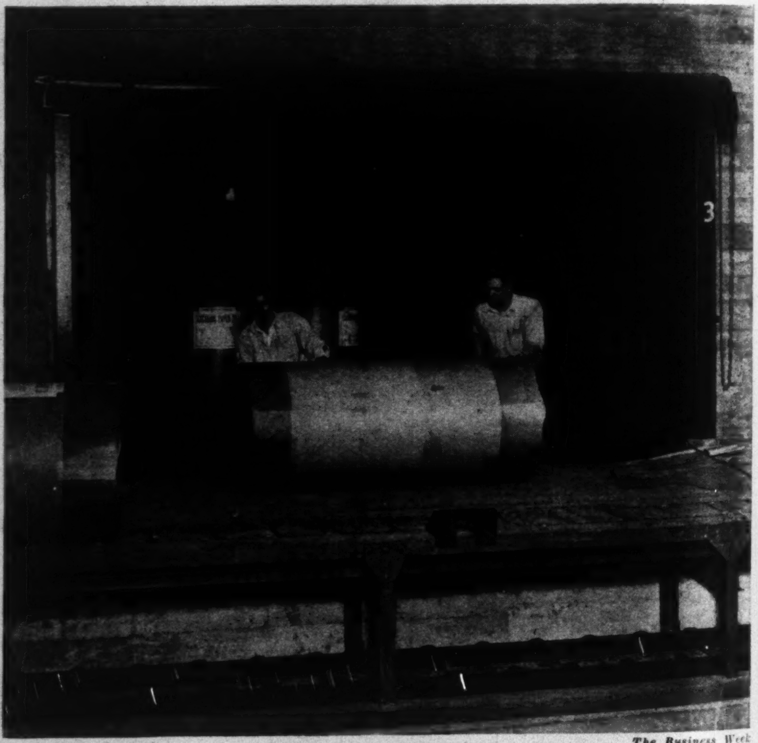
APPALACHIAN COALS, INC., recently organized by high volatile coal producers of Kentucky, Tennessee, Virginia, and West Virginia, is the first definite result of the campaign sponsored by the National Coal Association for the formation of joint district selling agencies as a stabilization measure for the very unstable soft coal industry (*BW—Dec16'31*).

At a recent meeting, representatives of 112 producing companies of the high volatile districts gave the plan 100% indorsement, approved a charter for the new agency and the necessary contract forms. On Jan. 27 another meeting will be held to determine if enough tonnage has been pledged to warrant those who have tentatively subscribed to agency stock to go through with it. An intensive drive is being waged to bring in more tonnage; already pledges total nearly 50 millions of the 90 million tons of coal produced annually in the 8 districts involved.

The sales agency plan has been approved by 100 operators in the northern West Virginia fields and by west Kentucky operators. Other districts are studying the plan, are expected to take action soon. In view of the difficulty in getting soft coal operators to cooperate, the industry is greatly encouraged by the apparent success of the first attempt to form a sales agency; hopes for rapid progress in other districts.

Don't Expect Too Much

While praising the vigor with which the sales agency plan has been pushed, *Coal Age* again warns that too much be not expected of it. It is a factor in bringing about stabilization, this journal asserts, but there remain many other and more important things to be done. In particular it cites the need for better labor relations, even to permit sales agencies to function effectively. Pointing out that no agency will be likely to get 100% cooperation within its district, *Coal Age* says: "Without more



The Business Week

DELIVERING PAPER UNDERGROUND—*The St. Louis Globe-Democrat's new building has a paper storage room in the sub-basement, next to the Illinois Traction System's subway. Thus, 7,000 tons—4 months' supply—can be shipped in at once, without rehandling, without trucking through the streets. Ink comes in 10,000-gal. 60-day lots, is stored in 2 tanks* stability in industrial relations than now exists, the way remains open for the marginal producer and for the unsafe operator to wreck both fair prices and decent wages by taking advantage of the brute necessities of men fighting starvation."

Wages represent 70% of the cost of coal; unless wages are stabilized the goal of a stabilized industry seems far.

Copper Industry Prepares For Real Curtailment

ANOTHER forward step in copper stabilization has been taken with the agreement reached last week-end to put at once into force temporary new regulations for Copper Exporters, Inc., the producers' selling agency in export markets. Permanent regulations, involving the same principles, will be submitted to the approval of the association members probably at the end of this month.

The new rules, not yet been announced publicly, are understood to deal principally with sales quotas of custom smelters, fixing of export price, and control of fire-refined copper exports, along the lines previously indicated in *The Business Week* (*BW—Dec30'31*). These changes, coupled with the new restriction program agreed to last month, are relied on to bring to the copper market the stability for which it has long striven.

Curtailment Continues

Producers, meanwhile, are going ahead with curtailment to bring their rate of output down to 26½% of capacity. Anaconda has closed its Tramway mine at Butte, cutting production in that district to 40,000 tons, compared with a capacity of 150,000 to 170,000 tons a year. Phelps Dodge has shut down its Eighty-Five and Montezuma mines and reduced its rate of production to about 51,000 tons. In Michigan, Calumet & Hecla's Centennial and North Kearsarge mines and Copper Range's Baltic mine have been closed. Utah Copper and Nevada Consolidated have but little change to make in their operations, as their output had already been reduced to less than one-third of capacity.

Canada's International Nickel also, for the same reason, is not faced with the necessity of further curtailment, while Noranda, through a concession obtained under the restriction plan, is reducing output only to 40%, since any additional curtailment would hurt its production of gold.

White House
Coffee
White House
Coffee

from PLANT to PERCOLATOR in 24 hours

While White House Thermo-fresh Coffee is packaged to keep fresh indefinitely, the central location of the main White House plant — on the property of the *Boston Wharf Company* — enables the manufacturer to deliver coffee from plant to percolator in twenty-four hours.

The distributing facilities, which make such speed possible, are available to all tenants of the *Boston Wharf property* which adjoins the terminal yards of two railroads — and yet is only ten minutes' walk from the heart of Boston . . . Rents, insurance rates, and other overhead charges are relatively low.

If you are selling New England now, or are planning to enter this rich market, it will pay you to investigate our facilities. More than one hundred concerns, representing twenty-nine different industries, are now located here — among them: American Can Company, Armour Leather Co., Westinghouse Electric and Manufacturing Company, Cudahy Packing Co., Simmons Co. and Sherwin-Williams Company.

We will build or renovate to suit responsible tenants. Clip the coupon and send for our sixteen-page free booklet.

BOSTON WHARF COMPANY

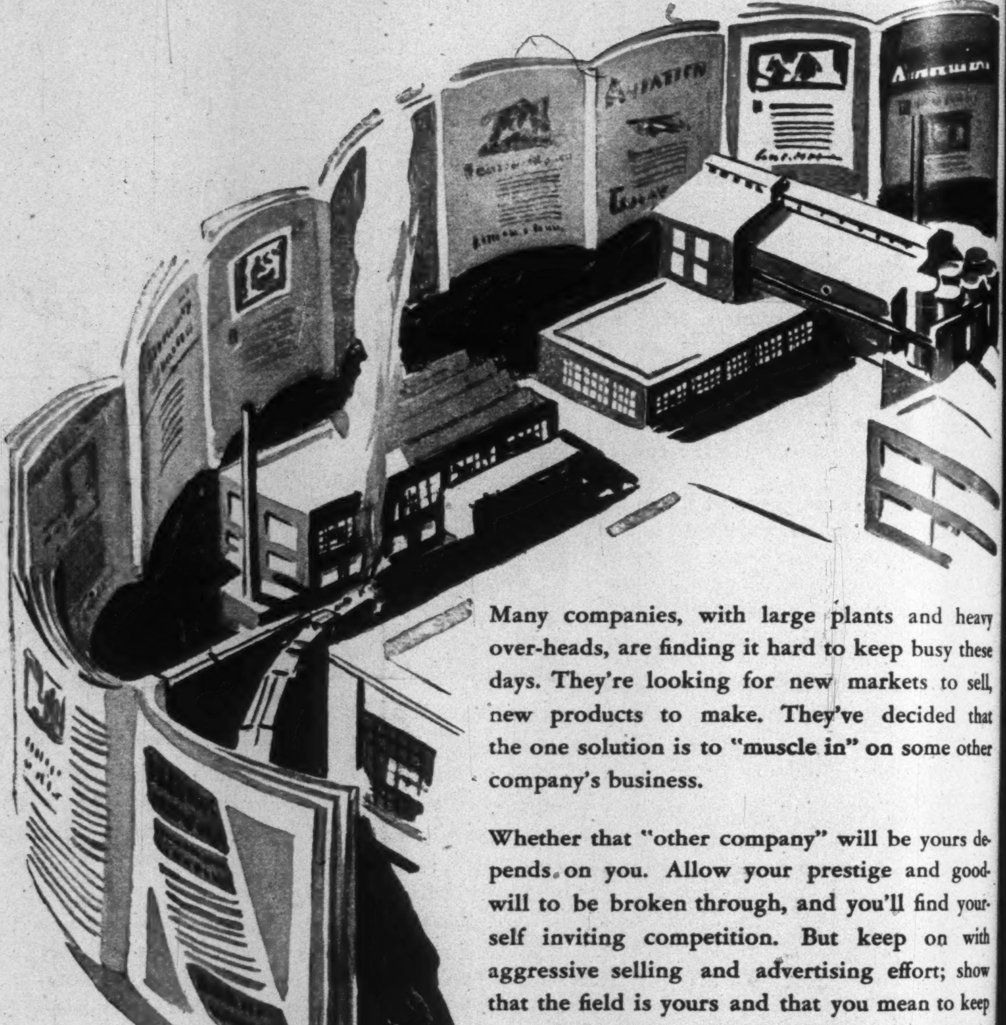
Industrial Service Department — Dept. BJ20
Boston Wharf Company, 259 Summer St., Boston, Mass.
Please send descriptive booklet of your property and its relation to the New England market.

CLIP THIS COUPON
FOR LARGER PROFITS

Name ______________ *Position* ______________

Company and Address ______________

No trespassing...



Many companies, with large plants and heavy over-heads, are finding it hard to keep busy these days. They're looking for new markets to sell, new products to make. They've decided that the one solution is to "muscle in" on some other company's business.

Whether that "other company" will be yours depends on you. Allow your prestige and good-will to be broken through, and you'll find yourself inviting competition. But keep on with aggressive selling and advertising effort; show that the field is yours and that you mean to keep it, and these would-be invaders will retire in search of easier-to-enter markets.

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In days like these business men are seeking new roads to leadership through new marketing methods, new products, new production principles, new purchasing policies or the use of different raw materials. Naturally these men look to their business papers with intensified interest.

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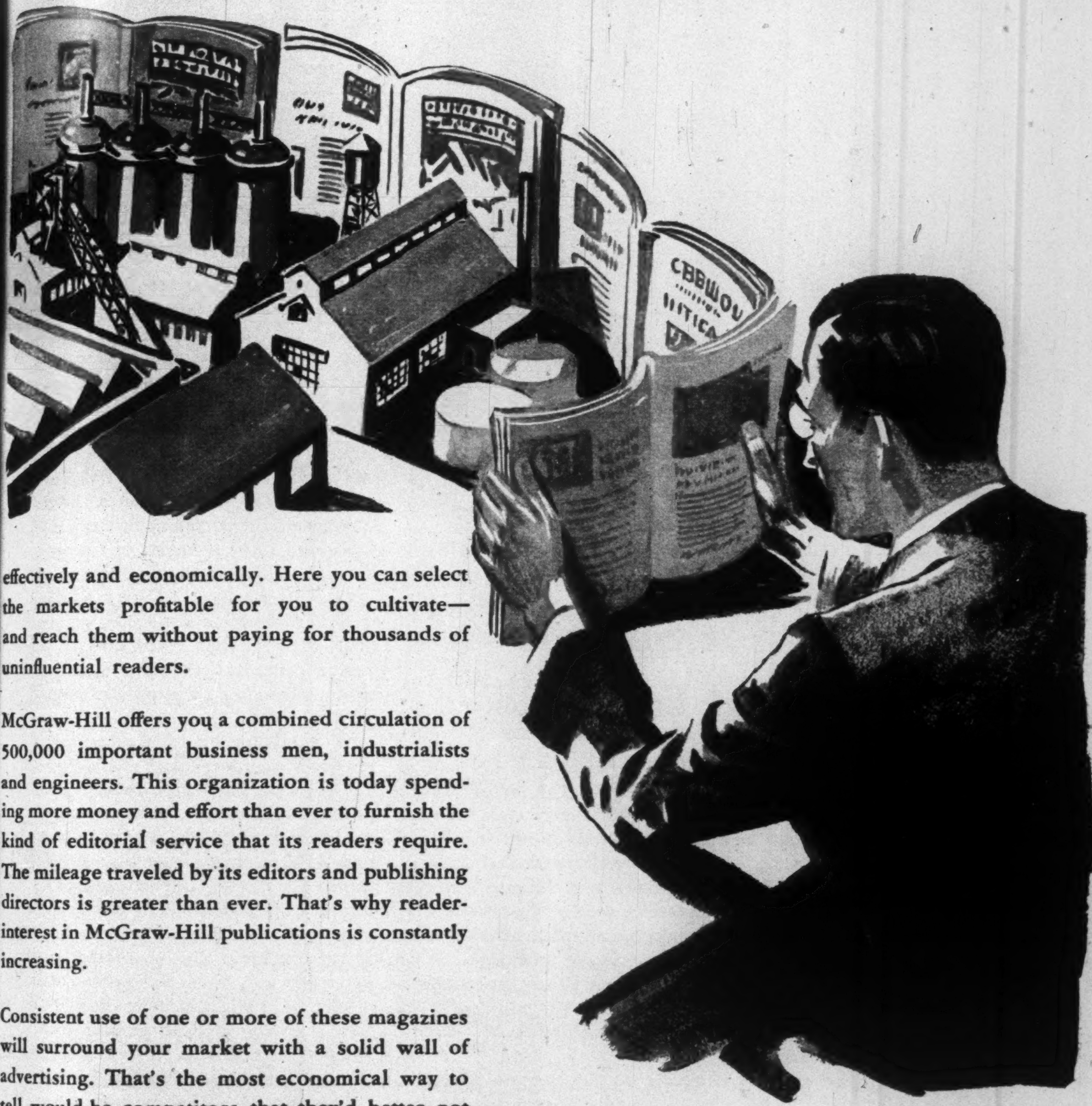

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Underwood & Underwood

Walter S. Gifford—*The Director of the President's Committee for the Relief of Unemployment testifies on relief projects and accomplishments before the La Follette Committee of the Senate*

Wisconsin Calls for Showdown On Unemployment Insurance

With Governor LaFollette's signature on the Grove Bill, Wisconsin becomes the first state to insist that its employers assume the responsibility for providing either steady work or unemployment compensation for their personnel.

Unless a majority of the eligible employees of the state are protected by privately sponsored unemployment reserve plans by June 1, 1933, the state plan will become effective and will be made compulsory for all employers of 10 or more persons who have not made provisions for unemployment reserves. Originally the bill provided for statewide compulsory reserves beginning June 1, 1933, except for companies which had voluntary plans.

Under the standards set up by the state, employers must contribute not more than 2% of payroll. Each will maintain his own fund to pay benefits to his own employees. When his reserves amount to $55 for each employee, contributions are reduced to 1% of payroll; they cease when reserves equal $75 per employee. This provision gives each concern a definite incentive to stabilize.

Benefits are payable at the rate of 50% of average weekly wage, with a maximum of $10 per week, for not more than 10 weeks in any year, beginning after a waiting period of 2 weeks. Number of payments depends on length of employee's service.

Employers may participate in state reserve funds, insure themselves, or develop group plans. In any case, administration of all reserves will be in the hands of the state Industrial Commission.

Adoption of this measure giving industry 18 months to make its decision challenges the oft-repeated assertion that employers will solve their unemployment problems voluntarily if the government gives them a chance—an opinion on which no proponent has shown more consistency that the National Industrial Conference Board.

In 1923, the Board reported that industry was ready and willing to bear the responsibility for whatever unemployment measures might be adopted, independent of any legislation.

After 8 years in which fewer than 300,000 of our 35 millions of gainfully employed eligible for such protection have been included in voluntary protective plans, it still thinks and has again stated that "industry should be given an opportunity to work out its own solution of its unemployment problem, unhampered by government."

—To which those in agreement with Governor LaFollette reply that only by such pressure as Wisconsin has applied will the opportunity and the man be brought together.

Wage Cutting Problem Brings New Solutions

Wages and working conditions have been in the headlines during recent weeks, with the intensive drive to reduce pay of federal employees getting the most attention. Congressional proposals range from the 5-day week for all federal employees to salary cuts ranging up to 30%. Opposition to these moves, led by the National Federation of Federal Employees and supported strongly by the American Federation of Labor and many members of Congress, has the tacit support of the President.

One of the most telling arguments is that government employees received none of the boosts other workers got during boom periods and, in general, their wages are still below private employers' scales.

Westinghouse Electric & Manufacturing Co. has cut wages and salaries again, but gears the new scale to volume of earnings. Salary cuts range from 10% minimum to 30% on salaries of more than $200 a month. For each $40,000 earned per month (present earnings being nil) the company will reduce these cuts by 1%. For example, should average earnings for 3 months equal $40,000, cuts in the following month would be 29% maximum instead of 30%; should average earnings reach $80,000, cuts will be 28%, and so on.

Vacations Restored

During 1931 Westinghouse salaries were cut 10% plus vacations without pay which brought the total to about 20%. Under the new plan vacations with pay will be restored. With the salary cut went a flat 10% cut in wage scales.

More than 26,000 unionized railroad employees of 8 railroads have already accepted wage reductions of 10% and representatives of other groups on other roads have indicated they will accept similar reductions.

Most important cut was of 15,000

shopmen of the Southern Pacific, Jan. 1. First to move was Gulf, Mobile & Northern last October; 17% of the affected employees accepted the proposal; others have acquiesced since. Shopmen of the Pittsburgh & Lake Erie accepted a cut, upon the guarantee of 4 days a week operation of the shops.

Some 6,500 shopmen of the Illinois Central and 4,500 mechanical men of the New York, New Haven & Hartford have fallen in line.

Railway Express Agency has cut 10% of all salaries of $250 a month or more, affecting 4,000; has served notice on 50,000 organized employees of a 15% wage reduction, in conformity with action being taken by all railroads.

Asked to accept a cut of $8 to $10 a day, Spokane plumbers went further, offered to work for $5 a day and to provide materials at cost plus 10%, instead of cost plus 17% to 20%.

Work Spreading Proves Value in Depression

ALTHOUGH its importance is generally unrecognized, the current practice of spreading available work among as many employees as possible has had an undoubted beneficial effect upon employment conditions. It has sustained employee earning power and morale much as unemployment insurance might have done, prevented an even more drastic liquidation of labor.

The full extent of work spreading and of part-time operations is unknown but there are a few figures available which indicate some of the results of this relatively new management method and suggest ways for its more intensive use.

A recent survey of 67 Baltimore plants indicates that their average working week has been reduced from 49½ hr. in 1929 to 43½ hr.—a reduction of 12½%. For some plants this has meant part-time, longer week-ends; for others staggered work alternating between several shifts.

An unusual case is that of a steel mill which, despite its 25%-of-capacity operating ratio, retains its normal force of 750. Available work is divided between 2 crews, alternating on the job weekly. No one gets very big pay checks, of course, but all get something—probably more than an unemployment allowance would pay.

In another large mill employing 15,000 to 16,000 workmen normally, fewer than 10% have been laid off. Nearly 2,000 work full time; the re-

City Fathers turned down Copper

...TO THEIR REGRET

A WELL-KNOWN architect in a large Eastern city was urging the use of sheet Copper for the 500-foot tower of the proposed city hall—explaining that the added cost of using Copper would be more than offset by the upkeep expense it would eliminate.

But the city fathers were unmoved. "Too expensive," they said . . . "Use something cheaper."

"If the tower is constructed of any other metal it will cost at least $10,000 a year to paint and preserve it," counselled the architect. "I urge you to use Copper."

"No!" . . . chorused the city fathers.

So another metal was used, supposedly rust-resisting, and cheaper. It served for a number of years—then came the inevitable trouble. The sheets developed holes and leaked. Scaffolds were hustled up—and a swarm of nimble workers came to the rescue.

When they had finished their task and the damage to the huge tower had been repaired, the city received a bill—*for seventy-five thousand dollars!*

. . .

America's penalty for using "something cheaper" than Copper, Brass and Bronze is estimated at $600,000,000 yearly. Of this the home or factory owner pays a liberal part—when rustable plumbing and sheet metal work fail and need repair or replacement. The manufacturer pays, too—when rustable metals detract from the appearance and performance and salability of his product.

Where corrosion can destroy, Copper and its alloys are more economical in the long run. And many manufacturers are actually making *savings in production costs* by using these durable metals—because less time and labor are needed in stamping, spinning and machining.

Write us. Perhaps a saving can be made in the making of your product. We will gladly cooperate with you in seeking the most economical application of these metals to your specific needs.

COPPER & BRASS
RESEARCH ASSOCIATION
25 Broadway, New York

TIME HAS PROVED THE SERVICE OF COPPER, BRASS AND BRONZE

mainder are divided into 2 groups which work alternate weeks. Again meagre living, but better than none.

Similar data are available for plants which report number of employees and man-hours worked to the National Safety Council.

In the last month before the stock market crash—September, 1929—1,222 of these plants with 664,359 employees worked 130,880,693 hours during the month—an average of 197 man-hours per month. The 1,253 plants reporting in September, 1931, had 445,353 employees with a total of 77,157,517 man-hours—173 man-hours per month.

This indicates that during September, 1931, these plants employed 445,000 workers to accomplish what could have been done by 380,000 working the full-time 1929 week. In other words, subsistence was provided for 65,000 workers who would have been jobless. The surplus force kept on amounts to 15% of present personnel of the reporting companies.

Wagner Employment Bill Will Be Hard to Veto This Time

SENATOR WAGNER'S bill to provide a federal system of employment exchanges again threatens the peace of the Administration's mind. The Presidential veto of a similar bill passed by the last Congress evoked widespread criticism. The need for employment exchanges is greater than ever, realization of this need is now more widespread. The substitute system developed by Secretary of Labor Doak has been a flat failure.

Congress is likely to repass the bill quickly. Mr. Hoover must then decide whether to be consistent and again veto it—in the face of certain censure by all employment authorities aroused by the dire need for an effective placement system—or to reverse himself and approve the bill.

The Bill's Queer History

This measure has had a peculiar history, important chapters of which are still obscure. It was prepared after careful study and with the aid of scores of employment experts familiar with other systems and with conditions in this country. Approval has been virtually unanimous among employment experts and well-informed social workers. Public criticism has been confined almost exclusively to the National Association of Manufacturers.

While Secretary of Commerce, Mr. Hoover endorsed the principles embodied in the Wagner Bill on at least 3 separate occasions. While legislative representative of the Brotherhood of Railway Trainmen, Secretary Doak helped place organized labor's endorsement of the bill before Congress. The International Association of Public Employment Services has long been on record in favor of it, as have many other individuals and organizations.

Despite this, the bill was before Congress for 3 years, usually was held in committee. And when its chances improved during the last session the President and the Secretary of Labor had changed their views.

When the bill finally was passed over such Administration opposition, the President refused to approve it, offered in explanation arguments in which employment experts could find no validity. Secretary Doak answered the rising clamor for better employment facilities by a plan of his own, launched with a fanfare of publicity.

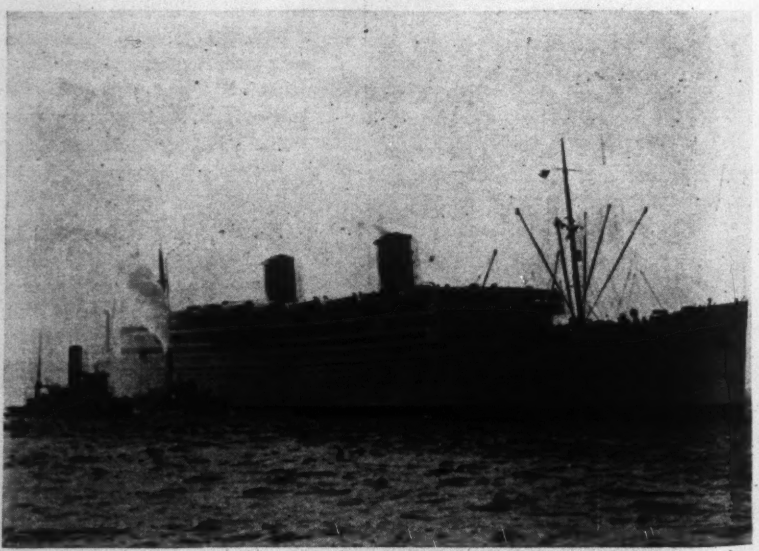
To answer the unanimous assertion of employment experts that this plan was futile, the President, himself, stepped forward last summer with an announcement that the new service had placed 600,000 in jobs within 4 months. Shortly afterward it was discovered that 400,000 of these placements had been made by state and local agencies with no aid from the federal service; that the remaining 200,000 were agricultural placements where the task is to find men for jobs rather than jobs for men, and that even this number was considerably fewer than had been similarly placed in previous years.

Indeed, Francis J. Jones, long-time head of the U. S. Employment Service before its reorganization, asserted that Department of Labor records showed the new system had placed just 46 persons in jobs through its own efforts. Meanwhile, some 75 men, mostly ex-labor leaders without employment experience, are absorbing most of the $800,000 appropriation for the work.

Senator Hebert Offers Job Insurance Plan

SENATOR HEBERT, R. I., when he was made chairman of a special Senate committee to study the subject, was reported to be opposed to compulsory unemployment insurance of any sort. Significant and somewhat unexpected, therefore, was his recent public speech on the subject.

He suggests legislation by the several



Acme

THE PROUD "MARIPOSA"—*Fresh from the yards at Quincy, the newest Matson liner comes up the Bay to New York. She is 632 feet long, will do 21 knots; accommodations for the 700 passengers are luxurious; air conditioning is featured. After her maiden cruise to the South Seas and the Orient, she enters the San Francisco–Australia service* states to require all employers to maintain reserves against unemployment. Employees would be permitted to contribute in order to increase their insurance coverage. Reserve funds would be trusteed and registered with a federal department so that while detailed operation of each fund would be in the hands of the employer and employees interested, funds would be guaranteed against bankruptcy or failure of the employer. State or federal rules and regulations would be few. Contributions to funds approved by the government would be deductible, in some degree, from taxable income.

Comments Divided

The committee has had many hearings, has received advice and suggestions from scores of industrialists and sociologists. Comments have been divided: employers look askance at government regulation; fear constant pressure to increase benefits; want to be left alone to work out employee security by themselves. Socially-minded witnesses stress the responsibility of society for unemployment due chiefly to causes beyond individual control.

The plan outlined by Senator Hebert strikes a fair mean between these views and is likely to receive considerable approval. The chairman's talk forecasts committee recommendations for federal action to facilitate state compulsory unemployment insurance plans, which are likely to be received kindly by Congress.

New Issue Slump Shows What Happened to London

EUROPEAN NEWS BUREAU—Just how badly the British money market was frostbitten by the general depression in 1931 is revealed vividly by the *Economist* (London) in its annual record. Total issues in the last 9 years show a contrast:

Year	*£ million*	*Year*	*£ million*
1923	271.4	1928	369.0
1924	209.3	1929	285.2
1925	232.2	1930	267.8
1926	230.7	1931	102.1
1927	355.1		

For the first 6 months of 1931 the new capital offered was little over half the total for the comparable period of 1930. In the second half of the year the comparison was even more startling. Here it is: July to December, in millions of pounds, 1929, 110.9; 1930, 98.2; 1931, 12.9.

And when only the last quarter is

COLEO
LUCKY STRIKE
Black Jack
THINC
Tek
LUX TOILET SOAP
SEAFRESH FILLETS
GERMAN'S SWEET CHOCOLATE
Sweet Girl

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How shall we package it? This question arises every time a new package product is produced. And it is important to get the right answer—for sales depend to a large extent upon the package.

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considered, when sterling was off gold, the reason for the eagerness of London financiers to return to a stable currency is evident: October–December, in millions of pounds, 1929, 92.2; 1930, 75.3; 1931, 3.9.

In 1931 Great Britain lent abroad some £47 millions as against £97 millions in 1930, and £87 millions in 1929. It is significant, however, that in 1931 the total foreign lending was within the first half year.

The causes of the decline in new capital issues include, in addition to the direct effects of the world crisis, trade and political uncertainty, the rise of money rates during the second half year, making long-term finance a serious risk.

The publication and analysis of the new capital figures for the old year will add strength to the agitation among the industrialists and their Parliamentary spokesmen for a lower bank rate by government insistence. This agitation, already stressed, is confronted by the determination of Chancellor Chamberlain to resist inflation, against which a high bank rate is the main weapon.

Acme

SHUT DOWN—*With work stopped on the giant Cunarder, workmen pack up their tools and go home. The Cunard Line decided that present opportunity did not justify launching the new ship at the present time*

Italy in Shape for Upturn, Westinghouse Head Finds

FASCIST policy in recent years has not included wide and detailed publicity regarding Italian trade and industry. As a result, not a little interest has been attracted to Italy's year-end economic position. "Affected by the world depression, yes, but relatively less," summarizes most of the reports.

To American business, this impression is given weight by A. W. Robertson, chairman of the board of Westinghouse and recently returned from Italy where he negotiated an agreement with the leading Italian electric manufacturing concern—Ercole Marelli & Co., of Milan—for an exchange of patents. Rising tariff barriers and the prejudice for domestically-fabricated products are most successfully overcome in this way.

"Italy is hopeful. Under government direction, national finance has been carefully reorganized this year. Progress in Italy itself warrants confidence among the electric industries for future growth. Electric power production was down in 1931, but not seriously. Mussolini's dominating policies are aiding, not hindering, the development of Italian production. In fundamental conditions, there is real basis for optimism over Italy's future."

Foreign Trade Winds Show Only Faint Signs of Shifting

While world's 1931 slump was 15%, our exports dropped 20%; sales to Orient held up unusually well

OPTIMISTS have found 3 favorable elements in the windup of 1931 foreign trade. (1) Volume fell off less rapidly during the latter months than in the early part of the year. (2) Prices had remained more stable for a longer period than at any time in the last 2 years. (3) Some parts of the world—notably Japan, China, and India—bought larger quantities of goods from the United States in 1931 than they did in 1930.

Realists were less sanguine in their analysis, are frank in admitting that trade difficulties are still serious.

Allowing for a general reduction in world prices of about 15%, the world in general conducted in 1931 only a little more than 85% of its 1930 volume of trade.

The United States' participation in that decrease has been greater than the world's general average. Our exports for 1931 amounted to about 20% less than 1930. Latin America particularly, and Europe to a lesser extent, bought less from us. Exports to Asia held up unusually well. For the 11 months ending Dec. 1, they were off only 2%, with due allowance for the fall in prices. Our sales to China alone were actually up more than 2% for 11 months of 1931—20% when allowance is made for price depreciation.

Wholesale prices, after falling more than 11% during the first half of the year, dropped only a little more than 2% in the 5 months ending Dec. 1.

There are other interesting factors revealed in an analysis of November trade totals, the latest for which a breakdown is available:

Sales of raw cotton, wheat, gasoline, and fuel oil made up the bulk of increased purchases by the Orient. Due largely to the boycott of Japanese goods, Chinese purchases in November nearly doubled those of November, 1930;

The United Kingdom maintained its position as this country's best customer, purchased goods worth $46 millions, compared with $61 millions a year ago. Canada was second, Germany third, among foreign customers, both with heavily curtailed purchases;

The United States increased its purchases in November (compared with November, 1930) only from Czechoslovakia, Italy, Russia, Argentina, Uruguay, Hongkong, Japan, and the Dominican Republic;

For the first time in many years raw silk (largely from Japan) has dropped into second place in the list of America's imports. Coffee has supplanted it as leader of the list.

Import Restrictions Shatter Germany's Drive for Debt Funds

THE rise of Germany to the position of second largest exporting nation in the world, displacing England, is of immense significance in the present international situation. Germany's favorable balance of trade for the first 11 months of 1931 is about $680 millions, though the volume of exports is down nearly 10% since the corresponding period last year. The favorable balance has been made possible by reducing imports nearly 30%.

Exports by classifications are available for only 9 months, but these data show that Germany's exports of manufactured products were nearly equal to those of the United States, and almost 15% ahead of those of England. Exports of manufactured products from the 3 countries were: United States, $1,349 millions; Germany, $1,309 millions; Great Britain, $1,184 millions.

Whether or not it has generally been recognized, it is almost entirely on this surplus of exports that Germany has had to depend to pay war debts (reparations) and meet maturing loans. And yet, with the exception of a short period in 1926, Germany's balance of trade was consistently unfavorable after the War until late in 1929.

Illusions Fade

If there were any prospect of continuing even the average of the favorable trade balance of the last 6 or 8 months, Germany would be more willing to consider trying to meet foreign obligations; Chancellor Bruening might have foregone his recent frank admission that Germany cannot pay, is no longer planning to do so.

Reasons for the fading of such prospects are obvious. Three-fourths of Germany's exports go to countries that have put up obstacles in the way of foreign trade, either by abandoning the gold standard or through foreign exchange restrictions, or by raising tariff.

Holland, as an intermediate trader, has been one of Germany's best customers. Until recently practically a free trade country, the Dutch have now deemed it necessary to establish an "emergency" 10% tariff. Britain, which ordinarily took about 10% of Germany's exports, now has the protection of a currency depreciation fluctuating around 30%, and emergency tariffs "up to 100%."

France ordinarily takes about 8% of Germany's output, may continue to do so through special agreement, but tariffs for the present also shut off a part of this market.

Russia Best Customer

Russia is at present the best customer of the Reich, but much of the goods sold to Russia are payable on long term credit.

More than 20 countries, especially in Latin America and Central Europe, have such rigid exchange restrictions as to cut imports to a negligible volume (*BW—Dec2'31*) and Switzerland is determined to protect its markets by putting German imports on a quota.

Because of this wall of opposition to German products, Berlin was not surprised to see November exports decline, is fully aware that the unfavorable trend cannot help continuing. The only chance Germany had of paying her debts has been closed to her. In many cases, creditors have been obliged to put up barriers or see their domestic markets flooded with German products.

Milestones to Guide Exporters in 1932

FOREIGN trade in coming months can be expected to fluctuate violently. Pending events will have a profound influence on the results. Here are a few of the milestones which exporters can watch to guide their course:

A probable world economic parley,

187
TOUCHSTONES
FOR EXECUTIVES

What are the weak spots of your business? How can you adjust 1932 operations to 1932 conditions? How can you achieve profitable results this year?

You can find answers to these questions only by making a searching analysis of every phase of your business.

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International News

Japan's New (or Old) Cabinet—*Its members had scarcely wiped their lips after the inaugural toast when an attempt on the life of a member of the royal house automatically brought their resignations, according to an old Japanese custom. Although reinstated immediately, they face another trial in the general elections late this month*

likely to be called by Britain following the Lausanne conference;

Permanent British tariffs which can be expected perhaps in April;

The Ottawa Imperial conference at which "empire preference" is expected to be outlined;

Developments, likely to come from the League of Nations at Geneva, leading to a coordination of the numerous bilateral "bartering," or exchange, agreements between Central and South European countries following the failure of the Prague conference to win accord;

Further inter-country trade agreements such as the recent Argentine-Brazil-Uruguay pact;

The trend toward direct barter, as the coffee-wheat exchange between Brazil and the United States; the Poland-Yugoslavia rail-tobacco trade; the Russo-German agreement to even up the trade balance between the 2 countries;

The enlarged market in the Far East due to the anti-Japanese boycott, and the anti-British feeling in India;

The outcome of Anglo-Argentine trade negotiations in case the Dominions replace the Argentine as a supplier of animal and agricultural products to Britain; and the effect on the buying of the Argentine until new markets are established.

Latin America Finds Weakness In Gold Exchange Standard

Five countries line the Pacific slope of South America—Colombia, Ecuador, Peru, Bolivia (without a port), and Chile. Combined they have an area two-thirds as large as the United States, but their total population is scarcely greater than that of New York, New Jersey, and Pennsylvania.

Last week, Wall Street heard rumors that the central banks of these 5 countries were buying gold in New York with balances which were being transferred from London; learned that they intend to establish closer relations with the Federal Reserve System, but "more for the sake of getting advice than credits."

Chile and Bolivia are supposed to be principally involved. Chile is thought to have held sterling balances in London totaling over £1 million. Bolivia's possible London balances are placed at something considerably below this figure. London balances of the other 3 countries are thought to be negligible.

What has made the plan sound implausible to bankers is the statement that the central banks of these countries are willing, in the face of the generally unfavorable exchange conditions now prevailing in each, to take the loss that is necessary to transfer sterling balances to dollar accounts in New York at current rates.

While it is generally rumored that some effort is being made by these central banks to effect the transfer at the old par value of the pound, bankers blandly speculate that "such a policy would scarcely be feasible for the Bank of England."

Perhaps most significant in connection with the whole plan is the evidence once more of the weakness of the gold exchange standard on which many countries now operate. This system, which allows central banks to hold as reserves currency of countries on the gold standard instead of holding gold itself, operates satisfactorily as long as normal conditions exist throughout the world. When one of these gold standard countries abandons gold, and its currency accordingly depreciates, the currencies of gold exchange standard countries are threatened.

The case of Britain is a striking example. The interruption of the gold standard in London makes it necessary for these South American countries (and many others) to transfer their London balances to a gold country, taking the resultant loss, in order to maintain the stability of their currency. Otherwise, their currency becomes as unstable as that of Britain's.

The weakness of the system is especially evident when statements of the central banks of the 2 systems are scrutinized. The Central Bank of Bolivia, for example, in its latest statement (September) held foreign exchange reserves 10 times as large as its gold reserves. The Swiss National Bank, on the other hand, held 20 times as much gold as foreign exchange. Foreign exchange holdings of the Federal Reserve are practically nil.

In the present case, if the central banks concerned are able to complete the transfer to New York it should stabilize their currencies.

Business Abroad—Swift Survey Of the Week's Developments

Whether reparations end in an orderly agreement or after a struggle which could easily precipitate a series of further crises is a major worry to world business. On France rests the real decision. . . . Britain is mildly optimistic over the outcome of pending conferences; has prospects for better domestic business. . . . Italy wants an end of reparations; is industrially less active. . . . France is changing governments, trying to delay a definite decision on reparations until after elections, playing for a better bargaining position abroad, facing rapid industrial decay at home. . . . A Bulgarian moratorium is likely to be followed by similar measures in Greece, Yugoslavia, and Austria. . . . Germany is helpless. . . . Policies are drifting in the Far East. . . . Latin America is dull. . . . The outlook is clouded with uncertainties.

"Whither Europe" Depends On "Whither France"

EUROPEAN NEWS BUREAU *(Radio)*—Notwithstanding new political and financial uncertainties, security and commodity markets have ruled generally stronger. Tin, copper, and cotton led the commodity advances. Soberly viewed, prospects remain most obscure but new year optimism, plus an actual better balance between production and consumption of staples has momentarily reversed the previous disposition to borrow catastrophe into the opposite direction of ignoring these many uncertainties.

The only actually favorable development is the report that the conference at Berlin dealing with Germany's short-term commercial creditors has practically reached accord. Terms are still closely secret but it is believed they will envisage a mixed formula for partial repayments, partial extensions, and partial longer-term reinvestments in Germany.

Other developments, however, have added to rather than detracted from the uncertainty. These include:

(1) Bruening's declaration of Germany's present absolute, and probable future, incapacity to pay, the futility of a temporary compromise, and the necessity of final abrogation of reparations;

(2) The death of the French War Minister, Maginot, occasioning the resignation and recasting of the Laval cabinet with probable emphasis in any new government of "nationalist" tendencies.

(3) Possible French refusal to renew their one-quarter share of the $100 million Reichsbank credit, expiring Feb. 4, at least without new conditions which can assist the French to bring pressure on Germany at Lausanne. But it is doubtful if France will go so far as actually to endanger this credit, whose withdrawal at this juncture would push Germany off the gold standard with a boomerang repercussion in France.

(4) Renewal of the expiring international credits to Austria, Hungary, and Yugoslavia, under the auspices of the Bank for International Settlements, but postponement of the additional $7-million credit to Austria. Austrian short-term creditors have consented to an extension of the standstill agreement covering $27 millions in loans, and the reduction of monthly repayments from 15% to 5%, for the payment of which the National Bank will provide exchange as long as possible.

Balkan Moratoria

(5) In Bulgaria, the Council of Ministers has approved a moratorium on the government's foreign obligations in order to maintain private credit; exchange reserves are inadequate to service both. Greece is expected to take the same action next week, followed by Yugoslavia and Austria, partially or wholly. This will leave only Rumania, among the Balkans, solvent.

In Vienna, American investments in these countries are estimated as follows:

	Governmental	*Private*
	(Millions)	
Bulgaria	$14	Unknown
Greece	42	$10½
Yugoslavia	25	50
Austria	60	50

Bruening's declaration of German policy is unquestionably the outstanding event of the week. The widely broadcast version that the German Chancellor had "repudiated reparations" is totally unfounded. Accurately dissected, the Chancellor's declaration included 4 points:

(1) Germany's present incapacity to meet reparation payments is certified both by the Wiggin (August) and Basle (December) conferences;

(2) It is doubtful whether Germany ever will be able to resume reparations;

(3) Meanwhile, creditors' insistence on reparation claims, which Germany may never be able to meet, is leading not only to a German collapse but to world catastrophe;

(4) Therefore, complete abrogation of reparations is the logical next move, and Germany will appeal at Lausanne for this right for the best interest of all.

What the Creditors Say

European reaction: There has been a foaming at the mouth in the French press (contrasting oddly with the powerful rally on the Paris Bourse); respectful consideration in England; outright approval in Italy. Generally, the statement is welcomed as focussing consideration upon the economic, instead of the political, aspect of the reparations problem, namely:

(1) Can Germany ever again pay reparations?

(2) If so, can the world ever again afford to let Germany resume payments?

That Bruening's appeal at Lausanne may bear any early fruit is doubtful. Notwithstanding the growing revision sentiment, the belief is still widespread that the time is not yet ripe for even partial revisions, and won't be until after French and American elections.

Instead, it is rather more, than less, possible that the Lausanne conference, hitherto expected to result in at least a 2-year moratorium, will decide merely on a 6-months extension of the existing moratorium, leaving all ulterior decisions to a later conference free from present warping election influences.

Germany, in Fresh Slump, Awaits Lausanne Meeting

Industrial outlook increasingly less favorable; unemployment rapidly mounting; tariff-curtailed exports demoralize country's last hope to "keep going". . . . Commercial "standstill" extension granted at Berlin.

BERLIN *(Cable)*—Chancellor Bruening's reparation statement is officially interpreted as Germany's inability to pay in accordance with the Basle report and not as any unwillingness on the part of the Reich. Opinion is strongly opposed to any mere short-term prolongation of the reparation moratorium to allow a 6-month adjournment of the Lausanne conference.

First French reaction is the refusal

of a 3-month prolongation of the Bank of France's share in the $100-million Reichsbank gold credit, which is accepted here not at all tragically since repayment virtually is impossible; France is expected to agree finally, though possibly to a shorter-term extension.

Standstill Extension

Early conclusion of a 1-year prolongation of short-term commercial obligations is now confidently expected. The basis is likely to be a 5% instalment transfer and eventually larger repayment of marks with reinvestment in Germany in bank acceptances and other first-class paper, but not in shares.

The money market is remarkably easy. Nearly 90% of the Reichsbank's yearend credits were repaid in the first week in January. The rise in bond prices primarily reflects the foreign bond boom caused by political optimism, and is not shared in Germany. On the other hand, the rise of shares in Berlin in advance of other European bourses is attributable to concentration of moderate domestic investments in a few leading securities traded unofficially.

The bank agreement on interest rates, signed Saturday and approved by the bank commissioner, represents the first attempt toward a compulsory national bank cartel. Forecasted repercussions: (1) Equalized rates are likely to cause migration of deposits to bigger, from small, banks since the latter are not allowed to pay higher deposit rates to compensate for increased risk; (2) Limitation of deposit rates may stimulate long-term investment since the spread between long-term and short-term rates has increased.

Accelerated Depression

The general industrial position has further worsened. Unemployment at the yearend stood at 5,600,000, is increasing rapidly. The coal and steel industries contribute the largest number.

Sales of the Stahlverein in the fourth quarter were 23% off when compared with the third quarter; 38% below last year. The fall now is caused mainly by the contraction of exports. The quarterly report of Farbenindustrie emphasizes the increasing difficulties of depreciation and currency restrictions on its export markets.

London's Mild Optimism Only Cheer in Europe

Mild optimism continues, is due to (1) hope of early end to present European uncertainty, (2) good trade inquiries. . . . Early income tax yield aids budget. . . . Wheat quota plan likely to shift eventually to regular tariff basis.

LONDON (*Cable*)—British business refuses to be wholly pessimistic despite a lack of data to show real improvement in the general situation. In the industrial field encouragement is derived from the increase in trade inquiries. In the financial field there is cheer in the better tone on the stock market and the continued hope that the Lausanne conference will at least determine conditions which will prevail for a fixed time, as limited as that may be.

In this connection, London has refused to be dismayed by Chancellor Bruening's bald statment that Germany will ask at Lausanne for a termination of reparations. To Britishers, this is simply confirmation of an opinion long held that there is now a real need for virtual cancellation of all reparations and war debts. Thus the Lausanne conference is still regarded by London as the possible beginning of a new period of trade revival with debts cancelled, or in long abeyance.

Tariff Agreement

Rumors are abroad that the Cabinet is in serious disagreement on its tariff scheme, due to be announced with the April budget. Pressure from all sides for protection is unrelenting. The iron and steel industry, in particular, is demanding immediate aid.

At the same time, Lord Beaverbrook is agitating in the press against the government's failure more energetically to encourage home production, charges gross lethargy because it refuses to use its dictatorial majority to effect further tariffs. No government crisis is anticipated before the budget is announced in April, but shortly thereafter London expects to see the triumph of the high tariff Tory elements and the probable exclusion of MacDonald, Runciman, and other former free traders.

New Faces at Tax Window

Treasury officials are anxiously scanning first reports of the income tax yield. Not only is the rate increased this year, and the exemptions lowered, but three-fourths of the year's tax is payable now. More than 1½ million new tax payers are added by the lower exemptions.

During the first 9 days of the year, tax returns totaled nearly $73 millions, which is $32½ millions more than were paid in the first 9 days last year.

Eager to keep the goodwill of the Dominions, the government has listened to criticisms of the first wheat quota proposals, both at home and abroad. Home millers raised the greatest objections to the first draft of the plan. This week members of the Board of Trade will meet with the millers' representatives, propose a revamped bill which is

Wide World

TOGETHER STILL—*Although the Laval government has resigned and Laval assumes Briand's post of foreign minister, the old gentleman of the Quai d'Orsay will continue to give his advice without portfolio* expected to win their approval. If it does, the bill will be presented the first week in February.

What is really significant is the growing feeling in London that the quota scheme will not last long. Already it is evident that it will be awkward and costly to operate. London really anticipates that the Dominions will request that wheat be put under a tariff along with other imports, and that imperial preference do the rest.

Bruening Statement Upsets France, But May Clear Air

Commercial activity continues to contract. . . . Unemployment up; labor restless. . . . Record currency expansion. . . . Bank of France likely to repatriate more foreign balances. . . . Stock market up, but political sentiment "down" as result of Bruening declaration. . . . Laval government forced to resign.

PARIS (*Radio*)—French interest is divided between Bruening's statement regarding Germany's stand on reparations, and the fall of the Cabinet.

On the one hand, the French press insists on reading "repudiation and bad faith" into Bruening's statement; on the other hand the Paris Bourse is showing, as a result of this definite statement, the greatest strength in many months.

Reaction generally is one of relief. Though France has been careful to protect its every claim, she is coming now to realize that the reparations and war debt structure will eventually, if they have not already, become untenable.

With Bruening's declaration of Germany's incapacity to pay and of the intent to ask Lausanne to abrogate reparations altogether, the Frenchman on the street feels the cards have finally been laid on the table and the whole problem placed on an economic basis.

Not a Clean Sweep

Not that a clean sweep of reparations is expected. On the contrary, the Lausanne conference is expected to result only in a temporary moratorium; but it will mark the beginning of a sequence of negotiations the ultimate outcome of which will be a scaledown of both reparations and war debts. And the United States will be forced to participate before the question is closed.

Resignation of the Laval government was occasioned by the death of the War Minister, Maginot, and is considered a bull, rather than a bear, point. In all likelihood it will cause no major political crisis, but only a revision of the cabinet leading to a more homogeneous government of a nationalist, but not necessarily chauvinistic, character.

Fear Loose Rein on Reich

If there is any uneasiness in Paris, it is due to no fear concerning reparations themselves (France intends to pay war debts only proportionately to reparation receipts). Rather there is fear lest once the reparations checkrein over Germany is relaxed, Germany will attempt other revindications such as the right to arm, and the return of the Polish corridor.

As yet there has not been time for the national equipment program, voted by Parliament before the holidays and envisaging the expenditure of $150 millions, to show any effect on business conditions. Unemployment continues to rise with labor restlessness more evident, especially around Paris. The just-published November production index continued the 2-point monthly drop which has repeated itself each month since August, and which now has reached 115 compared with 140, the monthly average in 1930.

The $80-million yearend expansion of bank note circulation is contracting very slowly. Not only is it the greatest absolute currency expansion ever recorded, but it is the highest currency inflation relative to lower price levels. The Bank of France, due to the generally unfavorable domestic situation, and to the prospect of sharply reduced activity in 1932, is expected to pursue the recent policy of repatriation of its foreign balances.

Italy Marks Time Pending Conferences

Business slack pending conference results. . . . Money tight; exchange less firm. . . . New "landing tax."

MILAN (*Radio*)—With the close of the holiday period, activity has substantially and generally declined. Business opinion still holds that no real world improvement can be expected without radical reparation and disarmament agreements. Hopes, but not expectations, are entertained over the possible results of the forthcoming conferences.

Christmas trade is estimated to have averaged 10% below last year in quantity, and 30% below in value. As elsewhere, buying was concentrated in cheap utility articles. Shelf stocks are very low.

Stocks are weak, but bonds and gilt-edgeds are steady. Money is rather tight—between 6% and 7% for commercial paper, and 7% to 8½% for financial bills. Lira exchange is weak but is artificially pegged. Wholesale prices have not changed.

A clearing agreement has been consummated with Austria. Wheat imports continue to be unprecedentedly small; for the second half of 1931 they were 80% below last year. Corn imports, however, are slightly larger. All imports are subjected to the new "landing tax" of 13 cents a ton except for building materials and fertilizer, on which the tax is 5 cents. Goods in transit and vessels which will be broken up in Italy are exempt.

Argentine Grain Trade Up; Chile Floats New Bonds

Trend featureless. . . . New year grain trade encourages Argentina. . . . Chile floats internal bond issue. . . . 5 countries rumored to be transferring sterling balances to New York.

YEAREND figures from Buenos Aires reveal the difficulty the Argentine has had to meet because of the fall in commodity prices. Exports last year were valued at $618 millions, compared with $594 millions in 1930. In volume, 1931 exports totaled 18,450,766 tons; in 1930, the total was 11,027,493 tons. Specie exports totaled 171,730,483 gold pesos in 1931, in contrast with 25,165,174 in 1930.

The 1932 export season started off auspiciously with grain prices firm and demand good. The Argentina Information Bureau reports that the country exported roughly 16 million tons of all grains in 1931, and starts 1932 with a surplus of 3,750,000 tons of new wheat flour, plus 450,000 tons of old wheat unshipped; with 2¼ million tons of linseed, 1 million tons of old corn, and ½ million tons of oats.

Chilean Labor Restless

Reports from Chile are less encouraging. The nationwide strike is under control but labor unrest is still disturbing. To meet a budget deficit, the government has decreed an internal bond issue of 200 million pesos and to make the bonds attractive has declared them rediscountable at the central bank.

Rumors that the central banks of the 5 West Coast countries which conferred together at Lima in December were transferring sterling balances to New York are meager (page 26). It is probable, however, that these countries

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Still No Japanese Profit From Manchurian Victory

Business and politics unsettled. . . . Japan worried over domestic trade and Manchurian trends. . . . China imports increase. . . . No prospect of improvement in Manchuria.

INCREASING uncertainty is unsettling Far Eastern business, though the United States so far has profited in the form of increased exports.

Honolulu is upset over the probable loss of retail trade which now seems inevitable if the fleet cannot put in at the port in the course of Pacific maneuvers. Loss of trade is estimated by Honolulu merchants at $5 millions. There is little probability that conditions will be sufficiently settled in time to warrant a change in the order.

Four factors are adversely affecting the Japanese situation: (1) Continuation of the Chinese boycott which is sufficiently serious to have roused the government to threaten a blockade of Chinese ports despite the international complications this move might cause, and the additional cost to an already overburdened budget; (2) Worry over what may be implied in the Stimson note regarding Manchuria; (3) Political uncertainty. It is probable that there will be a call for national elections within the next few weeks; (4) Seriousness of the domestic depression and the lack of evidence of any gain in foreign trade, expected after the yen went off gold.

Larger Chinese Imports

China continues fairly active. Customs revenues last year exceeded those of 1930. Building construction is still continuing in South China. Tientsin is worried over the proximity of Japan's Manchuria forces, but there is a fair volume of business. China bought larger quantities of both cotton and tobacco from the United States than in recent months or the corresponding period in 1930.

There are no indications of any immediate improvement in the Manchuria trade situation, and local opinion in the import trades is generally pessimistic. While retail trade at Mukden improved slightly during December, daily receipts of the leading department stores averaged only 24% of the total for December, 1930.

The Figures of the Week And What They Mean

Industrial activity is slowly feeling its way, with increases of only moderate proportions. . . . Steel and automotive manufacturers are awaiting the public verdict on the new models. . . . Construction in 1931 reached the lowest level since 1921, with residential building severely contracted. . . . Electric power consumption is being curtailed sharply by even domestic users. . . . Carloadings made less than the usual gains, while currency circulation persists in expanding. . . . December retail trade was 13% below a year ago. . . . The *Business Week* index moved slightly upward to 63.5% of normal.

ACCORDING to Dow, Jones, steel operations for the week ending Jan. 11 gained 3 points compared with the preceding week. Since this is somewhat greater than the usual increase for the period, the adjusted index rose to 34% of normal against 30% a week ago.

Trade papers express some disappointment that the general situation in the steel industry presents less brisk expansion after the December stagnation period than was hoped. The automobile industry is the chief contributor of orders, but even here there is a tendency to wait the results of the automotive shows in New York and Chicago. December data on General Motors sales to dealers reflect the stocking up of cars in readiness for the show. Sales to consumers gained over 54% compared with November. Sales for the year to consumers are 11.4% behind 1930 and 37.4% behind 1929.

Unfilled orders of the U. S. Steel Corp. at the close of December declined to 2,735,353, a loss of some 198,000 tons from the preceding month. Not since 1922 have unfilled orders failed to show a substantial increase toward the close of the year, forming the basis for the usual sharp increase in operations immediately after the new year. Incoming business during December is said to have exceeded deliveries made to customers, but the ruthless wiping out of all business that appeared uncertain made sharp inroads on the total of unfilled tonnage.

The final failure of tin plate consumers to place orders in the last quarter of 1931 was also an important factor in the shrinking of the unfilled tonnage volume. The can companies failed to follow their usual procedure of estimating requirements for the first quarter of the year, giving the steel makers some knowledge of probable requirements. It is now expected that these orders and specifications will appear in the near future.

Steel Prices

Other lines of steel consumption show no marked change. Price stabilization has not been achieved except in isolated instances, and many quotations are below the non-profit levels of last year. Heavy melting steel prices advanced during the week, the first reversal of the downward trend in months.

December construction ended the year 1931 at a level 9.5% under November, but with allowance for the greater number of business days the

	Latest Week	*Preceding Week*	*Year Ago*	*Five-Year Average 1927-1931*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*63.5	†62.5	81.4	......
Production				
Steel Ingot Operation (% of capacity)	25	22	40	66
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,225	$5,330	$9,155	$15,280
Bituminous Coal (daily average, 1,000 tons)	*1,136	†1,066	1,591	1,887
Electric Power (millions K.W.H.)	1,619	1,524	1,714	1,657
Trade				
Total Carloadings (daily average, 1,000 cars)	92	93	112	135
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	61	62	69	82
Check Payments (outside N. Y. City, millions)	$4,887	$3,309	$6,003	$6,794
Money in Circulation (daily average, millions)	$5,680	$5,666	$4,809	$4,809
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.52	$.51	$.69	$1.14
Cotton (middling, New York, lb.)	$.066	$.064	$.101	$.162
Iron and Steel (STEEL composite, ton)	$29.96	$29.96	$31.73	$35.31
Copper (electrolytic, f.o.b. refinery, lb.)	$.071	$.070	$.098	$.142
All Commodities (Fisher's Index, 1926 = 100)	65.3	66.3	78.3	92.1
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,936	$1,970	$1,274	$1,405
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$20,379	$20,532	$22,776	$21,834
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,390	$7,327	$8,411	$8,750
Security Loans, Federal Reserve reporting member banks (millions)	$5,687	$5,777	$7,653	$7,221
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$563	$568	$1,820	$3,432
Stock Prices (average 100 stocks, Herald-Tribune)	$92.85	†$90.09	$135.97	$150.79
Bond Prices (Dow, Jones, average 40 bonds)	$79.70	$77.45	$96.31	$96.50
Interest Rates—Call Loans (daily average, renewal)	3.1%	3.1%	1.5%	4.2%
Interest Rates—Prime Commercial Paper (4-6 months)	3¾–4%	3¾–4%	2¼–3%	4.3%
Business Failures (Dun, number)	739	612	927	683

*Preliminary †Revised

decline amounts to 19.9%. Compared with December, 1930, the daily average awards in 37 states were 45% smaller. Residential contracts awarded were more than 29% smaller than in November, non-residential lagged 23.8% behind, while public works and utilities finished the month 6% under November. The latter group, however, were larger in the aggregate than the preceding month by 6%.

The annual summary of these figures gives an interesting picture of the severe contraction that has occurred in the building industry. Total contracts awarded in 37 states, according to the F. W. Dodge Corp., were valued at $3,092,849,500, a decline of 31.6% from the 1930 total of $4.5 billions and a 46% decline from the 1929 total of $5.7 billions. The value of contracts awarded in the past year was the smallest since 1921, but exceeds that year by 12%.

Residential Construction

Residential construction has suffered the most drastic curtailment in the past few years. Compared with the peak year of 1928 when contracts awarded totaled nearly $2.8 billions, there has been a decline of 71%. Since the 1929 total of $1.9 billions, a 58% decline has occurred, while compared with the 1930 volume of $1.1 billions, the decline amounted to 26%. In 1931, residential contracts totaled $811,388,700.

Public works and utilities formed the largest part of all contracts awarded during the year, but with a total of $1,162,843,600 the loss from 1930 equalled 30%. Compared with both 1929 and 1928, the decline was little more than 20%. Non-residential construction covering such items as factories, commercial, educational, etc., buildings made the sharpest drop compared with 1930, amounting to almost 37%. Compared with 1929 and 1928, the decline was even more severe, approaching 53% in both instances. Total contracts awarded aggregated $1,118,627,200.

Bituminous Output

Bituminous coal production made the usual increase in output for the week ending Jan. 2. The adjusted index reached 51% of normal compared with 50% the preceding week. The latest effort to stabilize the soft-coal industry is now being made by the organization of the first of several sales pools agencies—the Appalachian Coals, Inc.

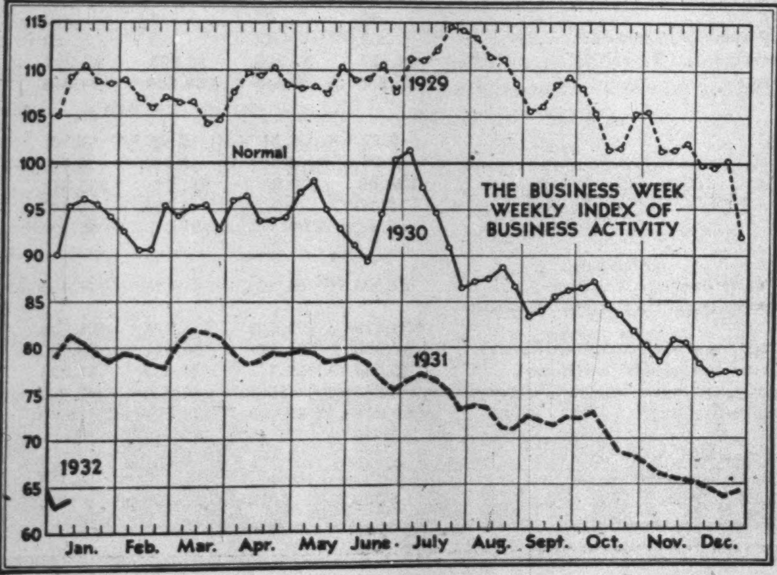
That industrial activity failed to gain momentum after the year-end holidays seems confirmed by the meager gain in electric power consumption for the week of Jan. 9. Since the gain was less than usual for the period, our adjusted index declined to 78% of normal compared with 80% the preceding week.

The November report on the distribution of electrical consumption indicated that even domestic consumption is being sharply limited. The increase compared with November, 1930, is now only 3.9%, while in the preceding month the gain exceeded 6%.

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

During the week covering the New Year holiday, carloadings made a fair gain compared with the preceding week, but the per cent of change was somewhat under that of comparable weeks in preceding years. Losses were reported in ore and merchandise-less-than-carlot. Our adjusted index based on the latter group plus the miscellaneous shipments declined to 62% of normal compared with 64% the preceding week.



Check payments for the week ending Jan. 6 made the usual sharp increase that is customary for the first week of the year when trade settlements loom large. Our adjusted index rose from 69% to 71% of normal.

Currency circulation is not declining as was expected after the holiday trade subsided. The contrary to seasonal trend of these figures has forced our adjusted index to continue upward to 44% above normal against 41% the preceding week. The banking situation still gives uneasiness, though it is hoped that the measures now being taken to bolster the credit situation will correct the hoarding evil. The *American Banker* reports 1931 bank suspensions at 2,302 involving deposits of $1.6 billions.

The increase in commercial loans in the week of Jan. 6 also runs against the usual trend and lifted our adjusted index to 13% above normal compared with 7% the preceding week.

Commodity markets have been slow to follow the rally in stock and bond prices. Cotton prices have gained slightly, but corn, wheat, cocoa, rubber, hides, and hogs were irregular. Sugar prices have been confused by the lack of a definite policy on the part of refiners, who in the past week posted advances and then removed them. Copper was raised to 7½¢ delivered, but trading was small. Zinc made a new low, while tin strengthened and lead and silver were steady.

Trends of the Markets In Money, Stocks, Bonds

Indications of a new Federal Reserve policy occupy money market attention, though uncertainty regarding that policy continues. . . . Hoarding has not stopped and liquidation of bank credit goes on. . . . Bonds advanced vigorously affording wide relief. . . . Speculators drove stock prices rapidly upward on encouraging news.

Money Market Watches Federal Reserve Policy

MONEY market attention this week focussed on the Federal Reserve System and its apparent, though far from clear, change in policy (page 5). Confronted with a drop in the New York Reserve Bank's acceptance buying rate Wednesday morning, acceptance dealers were forced to cut their rates.

All eyes then turned to the reports of the week's Reserve operations made public Friday morning and to New York's discount action Thursday. The rate was unchanged and the figures, covering operations until Wednesday night, provided no clue as to where the Reserve is going. And so the market must wait in uncertainty until next week's figures come out, unless the Federal takes the unusual step of making its policy clear before that time.

What the figures did show was that there had been further deflation and that hoarding is far from over, though the signs on the latter are not so clear as last week.

Federal Reserve credit declined further as another substantial block of acceptances held by the Federal were paid off. A few more government securities were sold. Currency in circulation dropped off $42 millions, but the shrinkage of Federal Reserve credit both absorbed that and took $42 millions more from member bank reserves.

The currency drop is more encouraging than last week's rise, but the net change since the Christmas peak is still very much sub-seasonal. The decline from the high of Dec. 23 to Jan. 13 is only $124 millions. Last year the comparable drop (Dec. 24 to Jan. 14) was $365 millions. The year before it was $463 millions from Dec. 24 to Jan. 15.

Bank failures declined for the week, but confidence in the banks did not rise very much. In a number of regions withdrawals were in large volume.

Figures covering New York City banks also made public Friday show further liquidation of credit there, with especially large sales of government securities. All Reserve member banks for the preceding week report another large liquidation of credit.

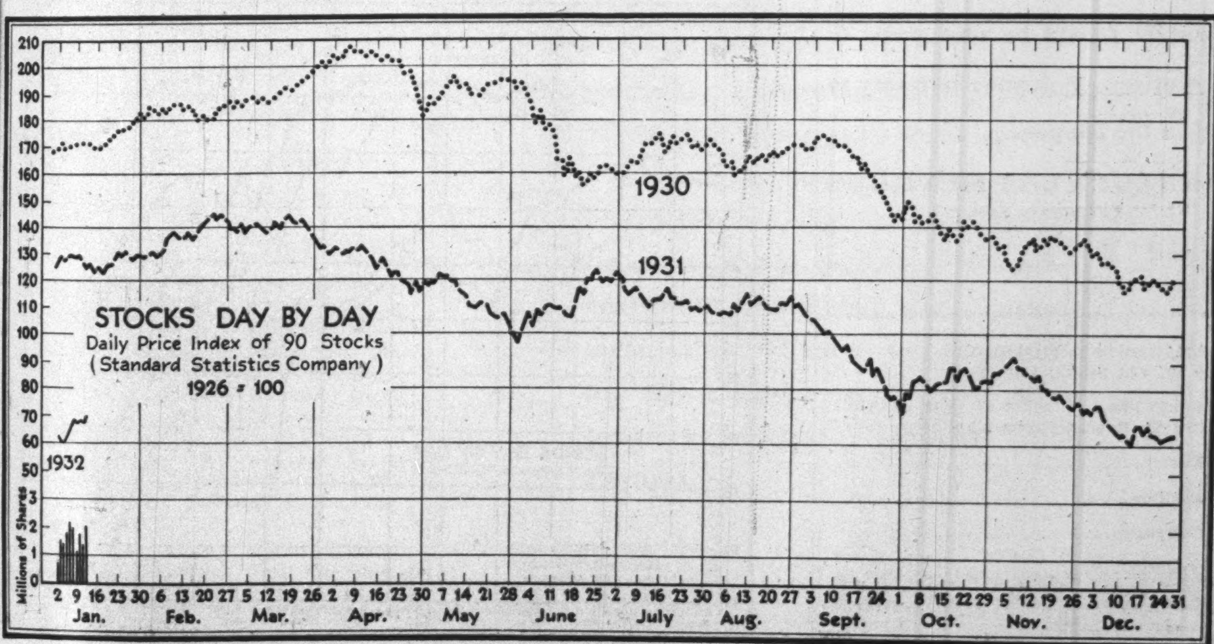
The second call for funds from subscribers of the National Credit Corporation revealed that it continues to receive applications for help. The 2 calls combined amount to about $100 millions. Other relief loans than those made by the Credit Corporation are rumored.

Gold movements for the week balanced. A large export to France and smaller amounts to Switzerland and Holland offset imports from India and Canada. French financial difficulties are reported with currency returning very slowly. All the financial world is watching Germany to see what is to happen in February when, unless credits are renewed, she must pay considerable amounts. Foreign exchange was irregular.

Wall Street Finds It Can't Rain Always

THE rapid upward spurt in both common and preferred stock prices was a perfectly natural reaction to the encouraging news poured into Wall Street this week. Combined speculative buying and short covering drove prices rapidly upward, rather easily absorbing the sales of those cautious ones who took profits after a few points of appreciation. Rails rose most vigorously, utilities least.

Most powerful among the stimulants were the indications of a new Federal Reserve policy which filtered into the market Wednesday. Though analysis



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creates some doubt as to just how encouraging these signs really are (page 5) superficially they are bullish factors and probably will continue to be so for some time.

Stimulating also was the speed at which Congress went into the Reconstruction Finance Corporation.

Backed by all this the large rally in bond prices bred the conviction in Wall Street that conditions have turned—or shortly will turn—for the better.

Supporting Factors

Subsidiary supporting factors included the General Motors report that more cars were sold to dealers in December than a year ago, the heavy attendance at the automobile show, the considerable decline in the short position in December revealed by the Stock Exchange, further reinvestment buying and the improved railroad outlook.

So the week was a cheerful one in the stock market. For those with skeptical qualms regarding European troubles, the currency hoarding situation, the difficulties which may face the Reconstruction Finance Corporation and the success of the Reserve policy there is left for the moment only philosophical resignation. They have missed the points of the rise garnered by the more daring.

Bond Rise Brings Out Financial Side of Slump

A FURTHER vigorous advance in bond prices this week brought long sighs of relief from the many who occupy the seats of the anxious. Every advance of even a fraction of a point is significant at this time when release of pressure on burdened financial institutions is in geometrical proportion to the market pickup.

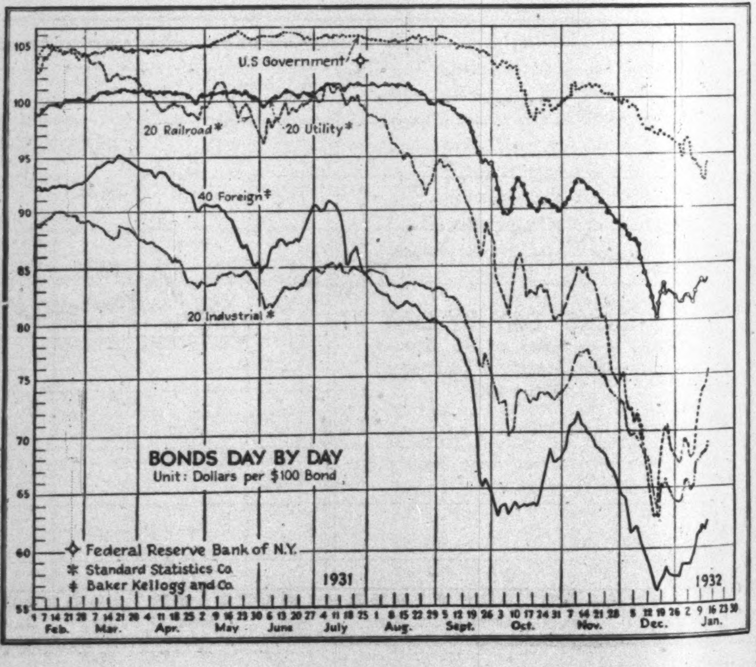
Bond prices were led upward by the railroad issues, which drew their strength from last week's Supreme Court decision ordering the I.C.C. to consider actual, not theoretical, conditions in rate-making. Continued hopes of wage readjustments helped the movement along.

Foreign Issues

Foreign issues continued the rally generated by reports of a near-agreement on important European problems. But U. S. government issues kept a fly in the ointment until they joined in the climb on Wednesday on the strength of new Federal Reserve policy. Their course is shown in our chart on this page for the first time.

Prompt Congressional action on the Reconstruction Finance Corporation, prospects of larger-scale work by the National Credit Corporation, and hopeful speculation about further inflationary moves by the Reserve kept up the enthusiasm.

That the rise was brought about largely by financial and other factors outside business itself is significant. It shows again that while business depression is a fundamental cause of price depreciation, it is the financial stress that is mainly responsible for the depth to which prices have now sunk.



Wide Reading

Need We Fear the Passing of the Gold Standard? Theodore M. Knappen. *Magazine of Wall Street,* Jan. 9. Frank discussion of advantages and disadvantages of departing from the gold standard. In part, they counter-balance, but there seems to be an advantage on the side of gold.

What Must We Do About Distribution? O. Fred Rost. *Food Industries,* January. Newest trends in food distribution, and suggestions for further improvement.

Steel Weathers Economic Gale But Strain May Compel Overhauling. *Steel,* Jan. 4. The year in steel. Annual review issue.

The Economic Survey of the Book Industry. *Publishers' Weekly,* Jan. 2. The Cheney report of conditions in the booktrade in terse review.

Light and Power Industry. *Electrical World,* Jan. 2. Annual progress and statistical number. Survey of the industry; data by regions; prospects for 1932.

International Business Machines. *Fortune,* January. Story of a great industry.

The Anatomy of Ballyhoo. Henry F. Pringle. *Outlook and Independent,* Jan. 6. Story of a new type of magazine, its effect on advertising, its policies, its publisher.

Factories on Wheels. Ralph G. Coburn. *Executives Service Bulletin,* December. The portable froster follows nature's raw material production schedule—eliminates spoilage, irons out peaks and valleys in retail prices, and stabilizes markets for perishable foods.

The Chains in 1931—and 1932. Godfrey M. Lebhar. *Chain Store Age,* January. A review—and a forecast in the annual survey issue.

BOOKS

Readings in Industrial Psychology. Bruce V. Moore and George W. Hartmann. Appleton, 560 pp., $5. Collection of more than 200 contributions on application of psychology to industrial management, covering all fields and all points of view.

A Scientific Approach to Labor Problems. Adelbert Ford. McGraw-Hill, 46 pp., $4. Study of the application of laws of psychology and physiology to labor management from the viewpoint of the industrial psychologist.

REPORTS—SURVEYS

The Support of the Aged—A Review of Conditions and Proposals. National Industrial Conference Board, 65 pp. Discussion of the adequacy and extent of adoption of various types of security provision, including industrial and state pension plans, group life insurance, mutual benefit associations.

Proposed Roads to Economic Recovery. University of Chicago Press, 8 pp., 10 cents. Reading guide to accompany second series of radio lectures on economics, sponsored by the National Advisory Council on Radio in Education. Broadcasts began Jan. 9, continue each Saturday evening, include talks by Taussig, Soule, Epstein, Patterson, Tugwell, Slichter.

General American Tank Car Journeys. General American Tank Car Corp., Chicago, 189 pp. Where industrial liquids come from and where they go; the kinds of tank cars which carry them.

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THE BUSINESS WEEK

THE BUSINESS WEEK

The Journal of Business News and Interpretation

January 20, 1932

Better Late—

THERE are this week a few faint flutters in the financial and official atmosphere surrounding the Federal Reserve System suggesting that it is about to bestir itself in an effort to check deflation. In the two years since we began soliloquizing in solitude on this subject in these pages we have learned, by repeated disappointments, that interpreting Federal Reserve policy is as ticklish an occupation as speculating on the plans of a possum in a tree. But we have never ceased to hope that some day something would happen for sure, and it looks that way now. The committee of Reserve bank governors that controls open-market operations has been in session with the Under-Secretary of the Treasury, the New York bank has made a move toward lower money rates, its usually taciturn governor said last week that deflation must stop.

All this is significant and reassuring, but the setting is still more so. The Reconstruction Finance Corporation is about to be set up, primarily to restore confidence of bankers and investors upon whom the effectiveness of Federal Reserve policy depends. The railroad financial situation is clearing. The war debt and reparations problems are on the way to definite settlement. Perhaps it is because the prospect of success for an aggressive credit expansion policy is more promising than at any time in the past two years that the possum has decided to wake up.

But we suspect that there are other more substantial reasons. First is the simple fact that the federal deficit will have to be financed largely out of Reserve credit. Second is the subtle influence of the intriguing term "inflation" which has suddenly appeared in the air everywhere, spreading like smoke from the bonfires that enlightened business men, aroused farm organizations and even a few bashful bankers have been building beneath Congress, demanding even more desperate remedies for deflation than the Federal Reserve could ever furnish. Finally, of course, the fatal days of next November draw swiftly nigh and the time is all too short to speed us on what has always been the only road to recovery.

In the end it does not matter what considerations have at last persuaded the Reserve authorities to drop their purely passive policy and set out on this road, if only they do so without timidity. One cannot help reflecting sadly on the curious procrastination that has cursed the Reserve's policies from its inception, and regretting the long delays and the needless loss of time and national energy involved in its endless vacillations. One of the ablest of its authorities has wisely said that bankers always do what would have been the right thing last time. Aggressive exercise of Federal Reserve initiative in credit expansion would have been the right thing in the spring of 1930, and we said so repeatedly. We are sure it is still not merely the right thing but almost the only thing, though it will be far less easy now and will require far more vigorous pressure to persuade the member banks to the necessary cooperation.

The consoling thing is the fact that the Federal Reserve, like England, always loses every battle but the last. Its critics are compelled to recognize that while it is unsure and slow to move, when at last it does, when it is finally face to face with an emergency, it never has failed to act quickly and effectively with all the vast power at its command. Let us not forget its vigorous, valiant defense of our banking structure against the shock of the call market collapse in November, 1929, and against the assault of panicky foreign depositors after Britain abandoned the gold standard last September.

It knows now that another such emergency has arrived, and we can confidently count on it to rise to the occasion again.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: $7.50 a year, U. S. A. and possessions. Foreign $10.00 or £2.10s Cable code, Mcgrawhill
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